Daily Report

Latin America

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FBIS-LAT-95-118 *20 June 1995*

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Brazil Seeks To Remove Argentina's Mercosur Benefits

PY2006023595 Sao Paulo AGENCIA ESTADO in Portuguese 2319 GMT 19 Jun 95

[Report by Flora Holzman and Jose Carlos Santana]

[FBIS Translated Text] Sao Paulo, 19 Jun (AE) — The Brazilian administration is determined to eliminate all of the advantages obtained by Argentina through the Ouro Preto agreement, which established the rules for trade within the Common Market of the South (Mercosur). The objective of setting up what Industry, Commerce, and Tourism Minister Dorothea Werneck described as "a new automotive system" is designed not only to reduce the trade balance deficit incurred by Brazil as a result of its growing imports of vehicles, "but also to develop new markets for our auto parts industry." This decision would resolve only one of the several "inequalities" which have thus far only guaranteed benefits for the Argentine side.

In a second stage, Werneck said, Brazil also seeks to end the differences in treatment given to products manufactured in free zones. Today, Argentina imposes import duties ranging between 18 and 30 percent, which are the normal rates applicable to products from countries outside Mercosur, on household appliances manufactured in the Manaus Free Zone. Conversely, the Brazilian administration does not impose any import tariff on similar products manufactured in Tierra del Fuego, Argentina. Changes in the area of electronic equipment, which have been under study since January, are still dependent upon a redefinition of the Manaus Free Zone, which will require another constitutional amendment.

Werneck does not believe it necessary to give any compensation to Argentina with regard to the changes brought about by the Brazilian import quota decision. She was thus responding to a suggestion made on 18 June by Argentine President Carlos Menem in Buenos Aires newspapers. She said: "I believe we have already set up a differentiated treatment by including in article eight of the provisional measure a specific provision for Mercosur member countries." She added that "what ought to be determined now is what that specific treatment will be."

Werneck said negotiations are still in an early stage and that a definition in the very short term is unlikely. She added: "We are working on a timetable of talks, and a round of technical talks will be necessary later."

Werneck acknowledged that one of the principal complaints of Argentina regarding the Brazilian provisional measure setting car import quotas stems from the loss of tariff benefits for the Argentine auto parts industry. Up until now, imports of auto supplies from non-Mercosur countries were subject to an 18-percent import tariff, while similar supplies coming from Argentina were exempted from any import tariff. She added: "Despite all this, Argentina did not give any preference to Brazilian auto parts."

By reducing import tariffs on capital assets and parts from non-Mercosur countries to 2 percent, the provisional measure has evened out things. In other words, the prices of auto parts made in Argentina will be practically equivalent to those from non-Mercosur countries.

In light of this first change introduced to the Ouro Preto agreement, Werneck believes that everything could be renegotiated. Before implementing the customs union, it will be necessary to establish "a new common system" for the sugar industry, which is also considered to be special by decree 29, which establishes the Mercosur rules, and a joint policy to avoid dumping by Asian textile exporters.

Werneck added: "What we had earlier was an unfair system, in which Argentina had an automotive system, but Brazil did not." She then mentioned other disparities, such as the Argentine Government charging a 27 percent import tariff on Brazilian shoes.

Werneck said the new measures do not represent a step backwards in the trade opening policy, and noted that imports of vehicles this year could represent 20 percent of the Brazilian domestic auto production, while this percentage stands at only 11 percent in the United States and at under 8 percent in Japan. She added: "Brazil could never be accused of closing its economy when its imports of vehicles are equivalent to 20 percent of its domestic production."

Brazilian Planning Minister Addresses Mercosur Summit

PY1906233495 Sao Paulo AGENCIA ESTADO in Portuguese 1422 GMT 19 Jun 95

[Report by Mario Rocha]

[FBIS Translated Text] Sao Paulo, 19 Jun (AE) — Planning Minister Jose Serra said early this morning, during the plenary session of the 1995 Mercosur [Common Market of the South] economic summit that is taking place in Sao Paulo, that the Brazilian Government has no doubts regarding its economic opening policy. He was answering a question about the car import quota system. Serra said that the new car industry regime represents a "competitive opening because it allows the importing of inputs with a 2-percent import tariff and it likewise encourages exports."

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According to Serra, the government is supporting exports that require subsidies and, besides this, it is seeking to reduce the "Brazilian cost" factor through constitutional amendments like the reduction of the indirect costs of the labor force and the modernization of ports. "These measures will yield more significant effects in the medium and long term," Serra said. The minister stressed that the current strategy is not to substitute imports, and he recalled that all countries have a specific car policy.

Serra asserted that international financial institutions like the IMF, the World Bank, and the IDB [Inter-American Development Bank] should play a greater role in the economic stabilization plans of the Mercosur member countries. "Some action has been taken in this aspect, but much must yet be done," he said. According to Serra, the success of the Mercosur depends on the consolidation of the economic equilibrium of the member countries. "The macroeconomic policies of the member countries must be coordinated," he said, as he stressed the importance of ending inflation and controlling the balance of payments.

The planning minister also said that the Mercosur is more than free trade integration and he said that private enterprise must engage more actively in the economic integration. "No agreement among governments can replace the will for integration on the part of private enterprise," he said. According to Serra, integration generates more domestic competitiveness and reduces costs in each country.

Serra said that the Mercosur represents a chapter in the process of economic opening that began in Brazil in the 1990's. The Mercosur, he said, represents a market worth $700 billion, with 200 million inhabitants. These figures prompt the increase of productivity and attract foreign investments. He also said that "it is natural for governments to make internal adjustments over the years." He justified his statement by asserting that the Mercosur is scarcely four years old, while the EU began its first negotiations 40 years ago.

Menem, Cardoso Admit Differences, Promise Solution

PY2006005895 Buenos Aires TELAM in Spanish 2149 GMT 19 Jun 95

[FBIS Translated Text] Sao Paulo, 19 Jun (TELAM) — President Carlos Menem and his Brazilian counterpart Fernando Henrique Cardoso today recognized that the two countries have differences on the motor vehicles regime. Both presidents agreed, however, that these differences will be overcome within the Mercosur [Common Market of the South] framework.

"It is a matter of interpretation," Cardoso said to explain the differences on the car export issue. President Menem retorted: "Yes, what happens is that you, Mr. President, interpret the affair from inside out and I interpret it according to its effect inside," Mercosur.

The somewhat contradictory remarks were prompted by a question asked by the head of General Motors of Paraguay, who was participating in the plenary session of the Mercosur Economic Forum. The entrepreneur asked the presidents about the current situation between Argentina and Brazil with regard to the car export issue.

Menem recognized that "there are some differences with respect to the car regime, but we are going to overcome them. I want to give investors the most absolute guarantee that they will not have problems."

The Argentine president said "for that we have the Ouro Preto agreement, which establishes what regimes will be maintained perfectly well."

Menem said that for Argentina "international treaties such as the founding treaty (Asuncion Treaty of 1991) are laws of a superior rank" as a consequence of the 1994 constitutional reform.

The president said that within that framework "we can bring our positions a little closer based on that agreement, but in essence, in substance, the treaty cannot be changed, at least as far as Argentina is concerned. The agreement is the nation's superior law."

Menem recalled that "many agreements based on the 1991 Asuncion Treaty have been signed since then," adding that "then we had a series of protocols on different issues, particularly on positions to establish a Mercosur common external tariff, which is working, with some problems, but working nonetheless."

With respect to motor vehicles, Menem said that "policies on motor vehicle regimes in Mercosur countries are fully in effect."

The Brazilian president, in turn, said that "if we insist on noting the differences, we will never understand each other," recalling that when he was the finance minister, he asked Petrobras [Brazilian Petroleum Corporation] to purchase Argentine oil in order to balance the trade account between both countries.

"Argentina has a motor vehicle regime. From now on Brazil will have its own regime," the Brazilian president said, adding that "we are interested in seeing Argentina prosper, and I understand President Menem has made similar remarks about Brazil."

Cardoso said: "The problem here is the transition," recalling that in 1994 Brazil imported $1.4 billion in

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motor vehicles, while "Argentina sent only $140 million of that total."

"The provisional measure, therefore, does not refer to Argentina; it has a global effect," Cardoso said with respect to the Brazilian Government restriction on imported cars.

Cardoso said that Brazil "will go to the negotiating table with an article that fully adjusts the provisional measure to the Mercosur agreement. We can negotiate within that framework."

Earlier President Menem said that "here we must ponder the geopolitical issue," adding that "in today's world power does not derive from territorial extension, but from wisdom, and we could give you many examples of this."

Menem added that "the geopolitical conception is important, but not to such a great extent in this new post-industrial world that has allowed small countries with little geopolitical importance to grow to become great powers, such as Japan, Korea, and other countries."

Menem added: "For this reason, I say that the concept of geopolitics must the handled in accordance with prevailing circumstances."

Cavallo Pleased With Argentine-Brazilian Understanding

PY2006015295 Buenos Aires NOTICIAS ARGENTINAS in Spanish 2335 GMT 19 Jun 95

[FBIS Translated Excerpt] Sao Paulo, Brazil, 19 Jun (NA) — Presidents Carlos Menem and Fernando Henrique Cardoso have reached "a happy understanding" on the motor vehicle issue. The Brazilian Government promised not to establish a quota for imports of Argentine vehicles during the negotiation to create a common motor vehicle regime.

This was announced by Economy Minister Domingo Cavallo minutes after the meeting between Menem and Cardoso in this city to reconcile differences on Brazil's restrictions to the entry of foreign cars into its market.

Cavallo said Cardoso's government "will not impose limitations on imports of vehicles within the Mercosur [Common Market of the South]," which in principle rules out the imposition of quotas for the export of Argentine spare parts and finished vehicles to Brazil.

Cavallo said that Cardoso's commitment will be in effect "for the duration of the negotiations to create a common motor vehicle regime" between both countries.

Cavallo did not say how long these negotiations will last. He also refused to say if they will extend for the 30 days that Brazil established to reach an agreement on the subject.

Today's agreement, however, is in accordance with the terms of the Ouro Preto accord, which might go a long way toward relaxing the nervous negotiations between both nations. [passage omitted]

Menem-Cardoso 'Altercation' Over Automotive Issue Noted

PY1906231495 Buenos Aires NOTICIAS ARGENTINAS in Spanish 2058 GMT 19 Jun 95

[FBIS Translated Text] Sao Paulo, 19 Jun (NA) — During the Mercosur [Common Market of the South] summit opening ceremony today, Argentine President Carlos Menem and Brazilian President Fernando Henrique Cardoso were involved in a rough altercation when the Argentine president accused his Brazilian counterpart of wanting "to change the car [marketing] system, aiming outside" the Mercosur, "while Argentina is aiming inside" the Mercosur.

Thus, Menem indicated to Cardoso that Brazil intends to change its car [marketing] system by changing the Ouro Preto Agreement, while Argentina, if it has to make any changes, will implement them by adjusting domestic costs.

In a remark that can be interpreted as a response to Brazil's hegemonic aspirations in our continent, Menem added: "Knowledge, not territory, brings power."

Ultimately, Menem again advocated respect for the Ouro Preto Agreement. Cardoso, for his part, said: "It is necessary to protect the Mercosur, but an agreement on the car issue must be reached between the two countries."

Cardoso, Menem Issue Statement on Car Import Quota

PY2006010695 Rio de Janeiro Rede Globo Television in Portuguese 2338 GMT 19 Jun 95

[FBIS Translated Text] Brazil and Argentina late this afternoon struck an agreement on the car import quota issue. Journalist Joelmir Beting has the details from Sao Paulo:

[Begin recording] [Beting] The agreement is contained in an official statement that has just been issued by the presidents of Brazil and Argentina. The agreement provides for a 30-day deadline to reach a conclusive accord between the two countries.

Finance Minister Pedro Malan, who participated in the talks held today, is here with us to explain the agreement.

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[Malan] The two presidents reiterated the terms of the letters they exchanged last week and reaffirmed their goal of reaching a mutually satisfactory agreement on the auto trade system between the two countries. They have ordered their respective ministers to work during the next 30 days to submit to their respective presidents the results of their negotiations.

President Cardoso has decided that, during the period of negotiations, Brazil will not impose any restriction on imports from Mercosur [Common Market of the South] member countries. More importantly, the two presidents reaffirmed their confidence in Mercosur and in its fufure.

[Beting] Will those talks start immediately?

[Malan] The truth is that we already started today. The meeting between the two presidents was preceded by talks between the two foreign ministers and between the two ministers of the economic area. Thus, negotiations already started today.

[Beting] Thank you, Mr. Malan. [end recording]

Central America To Ask U.S. To Stop 'Obstructing' Trade

PA1906180395 Mexico City NOTIMEX in Spanish 0022 GMT 17 Jun 95

[FBIS Translated Text] Guatemala City, 16 Jun (NOTIMEX) — A business source today said here that Central America will ask the United States in the upcoming Minister's Summit of the Americas to stop obstructing regional trade because of labor, copyright, and environmental issues.

Enrique Lacs, coordinator for the Guatemalan Businessmen's Commission for International Trade Negotiations [Comision Empresarial de Negociaciones Internacionales de Guatemala] (CENCIT), said the region would be "emphatic" regarding the issue of trade sanctions during the hemispheric summit.

Lacs added that the Ministers' Summit will be held in Denver, Colorado, USA, on 30-31 June, and 1 July, in the presence of representatives of the Latin American, U.S., and Canadian private sectors.

Lacs said the meeting will follow up on agreements reached by the American leaders on December 1994, in Miami, USA.

During the Miami meeting, the leaders agreed to change the American continent into a free trade zone by the year 2005.

Lacs said: "In that meeting we will follow up on trade, integration, labor, and industrial issues, among other issues debated at the Summit of the Americas in Miami."

Lacs added: "What interests us most is that trade in Central America not be hindered because of issues dealing with labor, environmental, and copyright aspects."

According to Secretariat of Central American Economic Integration (SIECA) statistics, Central America currently has a trade exchange with the United States that surpasses $5 billion.

According to SIECA, $3.530 billion of the trade exchange between Central America and the United States is imports, and the remainder is exports.

Lacs recalled that, in Guatemala's case, the White House has threatened to suspend the tariff benefits of the Generalized System of Preferences (GSP) mainly due to labor rights violations.

After several months of analyzing the respect for workers' rights and copyrights, the U.S. Government will determine in July whether Guatemala will continue to receive special treatment under the GSP.

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Cuba

U.S. Considers Resuming Underground Nuclear Testing

FL1906213595 Havana Radio Reloj Network in Spanish 1950 GMT 19 Jun 95

[FBIS Translated Text] The United States wants to be second in the line of countries still conducting nuclear tests. It seems that supremacy for the most lethal weapon remains to be defined, following Paris' recent announcement that they would continue to test their nuclear arsenal in the South Pacific.

The United States' secretary of defense confirmed that his country is considering the possibility of recommencing underground testing, possibly in the Nevada desert, the pretext now being that the bombs, which were manufactured several years ago, might have lost their effectiveness. The only way of testing this, therefore, is to set them off in a combat test [en un ensayo para el combat]. It seems that the United States is unwilling to forfeit its cutting edge as bully [amenazador], or as first and undefeated in the use of nuclear weapons.

The United States' possible decision to recommence nuclear tests conflicts with the attitude expressed by President William Clinton when he became upset with Jacques Chirac, his French colleague, when the latter announced that France's nuclear tests were to be continued. It seems the United States is adept at demanding that countries do as they say, not as they do.

Voices in the United States have spoken out against completion of Cuba's Juragua Nuclear Plant in the south central region of this country. They say it is dangerous to the environment; yet those same people who are so concerned about the effects of a peaceful industry upon the environment do not express the same harsh judgment of projects aimed at annihilating human beings.

Raul Castro Addresses People of Guantanamo

FL1906225995 Havana Tele Rebelde and Cuba Vision Networks in Spanish 0000 GMT 19 Jun 95

[From the "NTV" newscast]

[FBIS Translated Text] Army General Raul Castro, second secretary of the Communist Party of Cuba, presided over a meeting in Guantanamo to discuss the results of a Politburo delegation's working visit to that province.

Jose Ramon Machado Ventura participated in a meeting during which participants learned of services offered in Guantanamo, and assessed results in food production and distribution, and within the sugarcane sector. Machado stated that delegates visited 872 working centers in Guantanamo's ten municipalities, met 341 Party organizations and approximately 13,500 people.

During the visit, delegates were afforded firsthand observation of the political commitment and morale of the people who, despite current shortages, expressed their faith in the Revolution and its principal leaders. Participants in the meeting discussed food production, which is still insufficient despite increments over the past year. They learned that not all municipalities achieved the same results, and that there were delays in planting and the care of crops.

Lage pointed out that agriculture goals [word indistinct] must parallel the needs of each province. Participants agreed on the need to further utilize lands based on objective potential and urged workers to take special care in sugarcane planting, seed supply, mill repairs, and restoration of mill workers' houses. They observed that while Guantanamo is achieving its sugarcane goals, production is still below the maximum the results of former campaigns. They noted that coffee production has improved slightly, but that urgent problems remain, since the coffee harvest, while essential to Guantanamo, is still far from desired levels.

Participants also addressed public health and education issues and called for solutions to the problems they observed. The health minister pointed out that medicine is in crisis in countries ruled by neoliberalism, especially in Third World countries, but that Cuba has been able to maintain and improve health-sector accomplishments despite the special period. He noted as an example that although Guantanamo is a mountain province far from Havana, it has maintained a low infant mortality rate. Participants also stressed the significance of daily interaction with the people, citing Party leadership in Maisi, which has remained current with each municipal event, and where the people acknowledge and appreciate their efforts.

Raul Castro admitted that it is hard to lead under the current circumstances, and that the cadres need superior political and moral aptitude.

[Begin Castro recording] We must maintain strong links with the people and assign priority to those areas where the greatest problems exist. [end recording]

Div. Gen. Ulises Rosales del Toro, member of the Politburo, stated that leaders must be sympathetic to the people's problems and assertively respond to their concerns.

Other issues addressed during the meeting included fundamental economic indicators. Economy and Planning Minister Jose Luis Rodriguez stated that while Guantanamo must examine certain difficulties, it is still

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among the most highly-rated provinces in the nation. It was also noted that crime in Guantanamo has diminished, and that there is more cohesion between the forces of domestic order and the mass organizations. Raul Castro finished by commending the efforts of the people.

[Begin Castro recording] You have made great efforts in confronting all of these difficulties, yet problems are commonplace nationwide. I do not believe we need to teach Guantanamo's people anything about heroism; perhaps they should teach us. During these hard times, you must confront obstacles with help provided by the Government. You must do it despite current circumstances; there is no other way. We cannot regress, or if we must, we must regress as little as possible to preserve the principal achievements of the Revolution. An embrace to all of you. I must congratulate you. [applause] [end recording]

Castro Meets With Ex-Political Prisoner Gutierrez Menoyo

PA1906232895 Mexico City NOTIMEX in Spanish 1839 GMT 19 Jun 95

[FBIS Translated Text] Havana, 19 Jun (NOTIMEX) — President Fidel Castro held a brief meeting with former political prisoner Eloy Gutierrez Menoyo, who returned to Cuba last week for the first time since being forced into exile in 1986.

"It was a normal meeting; we shook hands in an affective and cordial manner," said Gutierrez Menoyo, who spent 22 years in prison in Cuba for plotting an armed coup against the Castro government during the 1970's.

On Sunday night, Castro participated in a reception offered oy the Cuban authorities for those attending a seminar on "representative democracy," which held sessions during this past weekend in the city of Cienfuegos, 253 km southeast of here.

Gutierrez Menoyo and other exiles participated in the seminar, the 16th of its kind held in Cuba, sponsored by the Heinns Seidel organization, a Christian Democratic Foundation in Germany.

The meeting with Castro "does not mean we agree; it is a symbolic gesture that meant in ancient times a person could come unarmed so a peaceful talk could be held," said Gutierrez Menoyo, who is leading a moderate group of exiles dubbed Cuban Change [Cambio Cubano] in Miami.

He has said another meeting with the head of state is still possible. He also has said he held a one-hour meeting with Cuban Foreign Minister Roberto Robaina in Cienfuegos.

"There is a willingness to change, perhaps not at the speed we would want," Gutierrez Menoyo said, adding that his presence on the island "represents a type of hope."

He has said it is "normal" that the Cuban media avoided mentioning his presence in Cuba. "The media are under their control; they are not going to put it at my disposal so I could make propaganda," he has said.

Gutierrez Menoyo, who will remain on the island all week, has said he is interested in returning to Cuba to live and participate in politics. "Achieving the democratization of Cuba is a road full of thorns, but my presence is a step forward," he has said.

Vice Minister Signs Joint Russian Oil Drilling Protocol

FL1706003095 Havana Radio Rebelde Network in Spanish 1700 GMT 16 Jun 95

[From the "National Radio News"]

[FBIS Translated Text] Petr Nidzelskiy, Russian fuel and energy deputy minister, confirmed today that it is truly possible for (?Russia) and Cuba to realize mutually beneficial oil and energy trade relations. Nidzelskiy revealed that the Russian delegation and oil company representatives who visited Havana City several days ago agreed to carry out feasibility studies on the potential for resuming oil drilling in Cuba. Nidzelskiy mentioned that Basic Industry Vice Minister Rodrigo Ortiz had signed a protocol making clear the objectives of both sides in drilling development in several areas of the insular platform and in reactivating energy sector goals in Cuba. Nidzelskiy said that drilling in northern and central Cuba could begin in the immediate future, if research on oil reserves and the project's rentability were considered positive. Nidzelskiy said that several institutions and banks are interested in helping to complete construction projects on the Cienfuegos and Santiago de Cuba refineries. Cuban authorities have suggested a flexible financing system, with the possibility of attracting third parties for the creation of joint enterprises. Nidzelskiy pointed out in Moscow that Russian specialists hope to help activate the oil pipeline that links northern Cuba — at Matanzas' supertanker docks — to southern Cuba — at the Cienfuegos refinery.

Vietnamese State Cooperation Chairman Arrives for Visit

PA1706044995 Havana PRENSA LATINA in Spanish 2314 GMT 16 Jun 95

[FBIS Translated Text] Havana, 16 Jun (PL) — Dau Ngoc Xuan, Vietnamese minister of state cooperation

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and investment [title as received], arrived in Havana today to explore possibilities for furthering bilateral cooperation with this country.

In a brief meeting with the media at Jose Marti International Airport, the visitor said relations with the Cuban Investment and Cooperation Ministry are fluent and that they will attempt to broaden relations in sectors of mutual interest.

Dau Ngoc said the visit is important "because we must help brothers when they have problems," referring to the complicated economic situation on the island after it lost its main commercial partners, the Eastern European countries, and endured the intensification of the U.S. blockade.

We firmly believe that when we finish our visit to this Caribbean country, we will be able to say that cooperation and investment by Vietnamese associations in Cuba and vice versa will have broadened to the necessary level, he added.

Vietnamese Union Official Seen Off by Ross Leal

PA1706140395 Havana PRENSA LATINA in Spanish 0004 GMT 17 Jun 95

[FBIS Translated Text] [no dateline as received] Nguyen Van Tu, chairman of the Vietnamese Labor Confederation, declared today, as he ended his visit to Cuba, that he and his delegation had achieved their objective of broadening relations with the Cuban people, government, and unions.

Talking to reporters, Nguyen said he had become familiar with the objectives of the Cuban Workers Federation (CTC), which is preparing for its 17th congress next April.

Invited to the island by the CTC, the visitor recalled that there is an ongoing and strong solidarity campaign in favor of this Antillean nation in his country and that they have sent consecutive rice donations. He also emphasized there is a generalized feeling of rejection of the blockade imposed by the United States in his country.

He mentioned that Vietnamese unions have more than 3 million members and that they operate as a sole association that works closely with the Vietnamese Communist Party and government to successfully implement their economic reforms.

Nguyen, who is also a member of the central committee of that political organization, maintained that the economic measures implemented in the past five years, which included unshackling the labor force and opening to foreign capital, have triggered an annual growth rate of up to 8 percent.

Regarding foreign investment, the Vietnamese official said it is carried out under state supervision to ensure the workers' rights.

CTC Secretary General Pedro Ross Leal saw Nguyen Van Tu and his delegation off at the Jose Marti International Airport.

Roundup of Politburo Members' Activities

FL1706155495

[FBIS Editorial Report] The following is a compilation of reports on the activities of Cuban Communist Party Central Committee Politburo members monitored through 17 June.

Candido Palmero has met a group of industrial and agricultural sugar industry workers on the importance of completing the following tasks to ensure a good harvest next year: meet the spring planting goal, weed the sugar crops, and fertilize on time to ensure the cane is healthy. (Havana Radio Rebelde Network in Spanish 2300 GMT 16 Jun 95)

Leopoldo Cintra Frias and Candido Palmero presided over a ceremony marking the Western Army's 34th anniversary in Havana on 14 June. Military Unit 6100 received the silver combat award in recognition of its outstanding performance in completing the Revolutionary Armed Forces Ministry's six strategic tasks. (Havana Radio Rebelde Network in Spanish 2300 GMT 14 Jun 95)

Yadira Garcia welcomed Li Ruihuan, chairman of the National Committee of the Chinese People's Political Consultative Conference, and his delegation to Matanzas on 14 June. (Havana Radio Reloj Network in Spanish 1939 GMT 14 Jun 95)

Jorge Lezcano accompanied the Chinese delegation on a tour of agricultural and livestock cooperatives in Cardenas Municipality. (Havana Radio Reloj Network in Spanish 1939 GMT 14 Jun 95)

Nelson Torres has held talks in Ciego de Avila Province on sugarcane planting campaign delays. The province's June planting goal has been set at 1,500 caballerias: Workers were instructed to redouble their efforts to plant the remaining 25 caballerias so as to meet June's goal. Workers were also instructed to continue weeding the fields. Workers hope to increase sugar production during the next harvest. (Havana Radio Rebelde Network in Spanish 1700 GMT 15 Jun 95)

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Alfredo Jordan has recognized the Ernesto Che Guevara contingent at Santa Clara's Ernesto Che Guevara Revolutionary Plaza. (Havana Radio Progreso Network in Spanish 1100 GMT 16 Jun 95)

Osmany Cienfuegos participated in a meeting on compliance with recommendations for the tourism industry issued at the Fourth Trade and Gastronomy Workers Union Congress on 15 June. The presidents of tourist chains and other tourism industry leaders also participated. Employer agencies and their functions were discussed; participants agreed to improve competence commissions' effectiveness in classifying workers for job placement. Use of volunteers and student workers was eliminated, and adherence to regulated work day length was stressed. Off-season job rotation, salaries, and housing were also discussed. (Havana Radio Progreso Network in Spanish 1100 GMT 16 Jun 95)

Haiti

Evans Paul Comments on Aristide 'About-Face'

Port-au-Prince Signal FM Radio in French
1030 GMT 16 Jun 95

[FBIS Translated Text] The National Front for Change and Democracy [FNCD] maintains its position staunchly. FNCD spokesman Evans Paul reiterated this party's wholehearted desire to work for the revival of Haiti. Expressing his impressions as regards the about-face by President Aristide, who has shown a certain preference for the OPL [Lavalas Political Organization], Evans affirms that despite the change of direction of the president elected on 16 December 1990 — who was elected under the banner of the FNCD — the FNCD's fine rooster [kok kalite] will remain a symbol capable of guaranteeing the interests of the Haitian people in their struggle for democracy.

Evans Paul continued: President Aristide has the right to choose his own camp. Besides, he did not participate in the creation of the FNCD. Here is Evans Paul.

[Begin Paul recording, in Creole] President Aristide has a right to make any kind of statement he wishes. President Aristide...[brief reception loss] he has his own understanding of the problem. We ourselves (?continue to) have our own position. When (?it)...[brief reception loss] President Aristide was not in it, and...[brief reception loss] create the organization that put him...[reception loss of several seconds] ...nothing in return. If there is anything we are in the habit of asking President Aristide for, it is that he keep watch to see to it that everything marches along in the direction that we ourselves envision for the country — that is, so that real change in the living conditions of the Haitian people is really effected. The struggle we ourselves are waging is to guarantee healthcare,...[brief reception loss] to have people live in decent housing, for there to be jobs in the country. That is what we are struggling for. And we think that we cannot win that battle unless we have a good political tool. That is why we created the political tool called FNCD. If, today, President Aristide feels that he does no longer needs the FNCD,...[brief reception loss] he has a right to make whatever choice he wishes — but we ourselves think that...[brief reception loss] remains at the service of the Haitian people. The fine rooster [kok kalite] should remain a symbol that guarantees the interests of the Haitian people in the struggle that...[reception loss of several seconds].

Candidate Pessimistic About Election Security

Port-au-Prince Signal FM Radio in French
1030 GMT 15 Jun 95

[FBIS Translated Text] The Conacom [National Congress of Democratic Movements] candidate for the first district of Port-au-Prince, (Duquens Raphael), asks the authorities to please guarantee the security of both candidates and voters during the upcoming Haitian elections. (Raphael), who is running for deputy, did not hide his pessimism regarding security during the elections. He asks the chief of the Port-au-Prince police to shoulder his responsibilities, as per the Constitution.

[Begin (Raphael) recording, in Creole] We said, today, that we have made big efforts to, ourselves, ensure a bit of security for ourselves, because in this country (?it's as if) no one is safe. Everyone is wondering who will fall victim next. We have noted several times that the police has begun making a number of little efforts. Certain efforts that the government had announced are being made, but it...[pauses] the civilian mission has shouldered its reponsibility; at least they have called me several times, and we talked and reached decisions. However, we ourselves think that in addition to the talks with the civilian mission, talks with the chief of police, who has responsibility...[pauses] in fact, he just said, in his latest statement, that on 25 June, he guarantees the day will go smoothly in Haiti. But we would like the police chief to understand that we don't want just the day of 25 June to go smoothly; we would like for every single day to go smoothly. But in the case of the elections, we want the campaign rallies [preceding word in English] [words indistinct] all the other candidates go smoothly — just as everyone would like for every single day of the process to go smoothly, so that what happened in Baraderes does not happen again. [end recording]

I point out to our listeners that the election observer mission is holding, as of 0930 today, a seminar for the

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election observers at the El Rancho Hotel in Petion-Ville.

Payment Irregularities Noted by BED-West

Port-au-Prince Signal FM Radio in French
1030 GMT 15 June 95

[FBIS Translated Text] There is talk of irregularities in the process of paying the salaries of members of the electoral offices. A new phenomenon has appeared recently in the process of collection of salaries by the members of the electoral offices. Several people have shown up at the BED [Departmental Electoral Office] of the Department of the West with false identification cards in their possession in order to collect checks under the pretext that they are members of certain electoral offices in the country. To put a stop to this, the Provisional Electoral Council [CEP] has taken all necessary measures to punish the guilty parties. Madame Michel, who heads the BED of the Department of the West, announces that the CEP will, in the next few days, take drastic measures against these dishonest persons.

For (?her) part, the vice president of the Carrefour BEC [Communal Electoral Office] demands that the CEP raise salaries so that the elections take unfold fairly. Madame (Cheline) has also harshly criticized the seminar organized for the members of the Port-au-Prince BEC, which she has described as a waste of time.

Official Gives Saint-Marc Customs Income Figure

Port-au-Prince Signal FM Radio in French
1030 GMT 16 Jun 95

[FBIS Translated Text] The deputy director of Saint-Marc Customs, (Gerard Leslie Lalanne) said in an interview to the Haiti Press Agency [AHP] — [correcting] or rather: As reported by AHP, to the representatives of several media in Port-au-Prince — that his institution collected the sum of 2,900,000 gourdes in the month of May 1995 alone. The frequent arrival of foreign vessels in the town's port is the reason for this record figure, a figure unprecedented before the return to constitutional order in October 1994 — Mr. (Lalanne) pointed out.

Asked about the matter of security at Customs, (Lalanne) said there are no policemen in the service of Customs. There is not even a night watchman to watch the office equipment, said (Lalanne), adding that he is still calling on the officers of the interim police.... [loss of reception]

Canadian Company Begins Prospecting in Northeast

Port-au-Prince Signal FM Radio in French
1030 GMT 15 Jun 95

[FBIS Translated Text] The work of the Canadian mining company Sainte Genevieve was kicked off yesterday afternoon in northeastern Haiti. This work, which consists of prospecting authorized by the Haitian authorities, is aimed at finding ore deposits for mining in northeastern Haiti. The kick-off ceremony was scheduled for yesterday afternoon at the (Bayaya) Hotel in Fort Liberte.

We remind listeners that the Sainte Genevieve resources firm received from this permit to prospect with a view to mining — a permit that covers 450 square kilometers in northeastern Haiti — last May, from the Bureau of Mines and Energy.

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Bank Debtors React to Zedillo's Newest Economic Measures

PA1606130995 Mexico City Radio Red Network in Spanish 0000 GMT 16 Jun 95

[Report by Gloria Hernandez and Victor Manuel Subersa from "The Night Monitor" newscast]

[FBIS Translated Text] [Hernandez] Gerardo Fernandez Norona, chairman of the Citizens' Association of Bank Debtors [Asamblea Ciudadana de Deudores de la Banca], has described as positive the government's recognition that charging a value-added tax [VAT] on interest was excessive. He added, however, that the measure does not resolve the bankruptcy of the domestic economy, adding that the serious problem of bank debtors must be treated as a state of emergency. This is what I have to report Martin.

[Unidentified announcer] In other words, Gloria, members of the Citizens' Association of Bank Debtors were not satisfied with the measures President Ernesto Zedillo announced today to eliminate the inflationary factor of interest on credit cards.

[Hernandez] That is correct, Martin. They feel the measures are insufficient, and they insisted on the need to implement an effective plan to attack the problem they have been confronting as a result of the peso's devaluation.

[Announcer] We will now contact Victor Manuel Subersa, who will complement Gloria Hernandez's report on protests by the Citizens' Association of Bank Debtors.

[Subersa] President Ernesto Zedillo today announced new measures to be implemented. Although they are all important, I will only mention six.

The first one is to maintain a zero rate VAT in the chain of production and commercialization of processed food and medicines. The second one has to do with the announcement to all credit card users.

[Begin Zedillo recording] To help credit card users, I have instructed the secretary of finance and public credit to issue a general resolution by which the VAT will only tax the real component of interest and will not include, as is currently being done, the inflationary component of interest rates. This will eliminate the double tax payment now affecting credit card holders. [end recording]

Another measure has to do with expediting the implementation of the program for the restructuring of overdue portfolios based on the so-called investment units — UDI's. In the first phase, credits will be restructured for 7.7 billion new pesos. Nacional Financiera will support microbusinesses and small and medium-sized enterprises with a working capital totaling 2 billion new pesos. Next week, a special program will be announced to support families with mortgage loans and encourage the construction of houses. This is related to the program to modernize the construction of houses, which was announced last Sunday during a tour in Guerrero State.

President Zedillo also announced that the Secretariat of Communications and Transport will implement a special program for the maintenance and expansion of roads. This will create 120,000 jobs in the next six months, with an investment of more than 300 million new pesos. These were some of the announcements made this morning by President Zedillo at the closure of the General Assembly of the Business Coordinating Council.

Businessmen React to Zedillo's Additional Economic Measures

PA1606131295 Mexico City Radio Red Network in Spanish 0000 GMT 16 Jun 95

[Report by Antonio Guzman from "The Night Monitor" newscast]

[FBIS Translated Text] We are outside the Adolfo Lopez Mateos Building where we were able to interview several business leaders on the announcement made by President Ernesto Zedillo within the framework of the change of presidents at the Business Coordinating Council [CCE].

They agreed in pointing out that these are measures to ease the effects of the crisis and to reactivate the country's industrial sector. They said the overall guidelines of the emergency plan have led to specific measures that are now waiting to be fully implemented.

Canacintra [National Association of Manufacturers] President Victor Manuel Terrones Lopez said, above all else, these are measures that will have a positive impact on small and medium-sized enterprises. Terrones also said the following:

[Begin Terrones recording] I believe we can now begin reactivating the economy. [words indistinct] the limitations of the Federal Government [words indistinct] [end recording]

We also interviewed Coparmex [Employers Confederation of the Mexican Republic] President Carlos Abascal Carranza. He said the mere announcement of the measures is not enough. He said government officials must fully carry out their duties without hesitation — for example, by paying suppliers and paying back of the value-added tax in small allotments when appropriate.

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[Begin Abascal recording] These are interesting measures. Many of them were discussed with us last week. Nevertheless, the mere announcement of these measures is not enough. The important thing now is to [words indistinct]. Officials must understand that suppliers must be paid on time, for example [words indistinct] [end recording]

Another businessman we interviewed was Juan Sanchez Navarro, who has a great deal of experience in making political comments. He said these actions are meant to resolve immediate problems and provide an incentive for the industrial sector. He said to think that crises, such as the current one, will be quickly overcome is a nice wish, but he added that if we have clear rules, it is possible to avoid crises every six years.

[Begin Navarro recording] It would be great for our country if we could avoid crisis situations that produce poverty and [words indistinct] for a sustainable development. [end recording]

That was the call he made. He said he hopes clear rules are established to avoid crises every six years.

Report Outlines Fobaproa, Procapte Backing for Banks

PA1506205895 Mexico City REFORMA in Spanish 14 Jun 95 p 19-A

[Report by Roberto Aviles]

[FBIS Translated Text] According to Selective Information (Infosel) data, the amount of financial backing for 10 commercial banks will amount to 19.628 billion new pesos, which represents 38.4 percent of the total net worth of the banking system, thanks to the acquisition of Serfin's portfolio for 4.34 billion new pesos by the Savings Protection Banking Fund (Fobaproa).

The financial backing exceeds the total amount of proceeds the government obtained as it sold these 10 banks for 853.3 million new pesos, in May 1995 prices.

The Union, Cremi, Probursa, Serfin, Workers, Inverlat, Bital, Bancentro, Confia, and Banorie banks were backed through the Fobaproa and the Temporary Capitalization Program (Procapte). The backing for Banpais bank is pending.

Fobaproa, which was funded with resources from the banks themselves, the government, and international financial institutions backed the Workers Bank in the last quarter of 1994, as it was granted 300 million new pesos. These resources allowed the bank's capitalization index to go from 6.97 percent in September 1994 to 10.47 percent in late 1994.

With the intervention in the Union and Cremi banks and once the administrative deficiencies were corrected, Fobaproa earmarked 7 billion new pesos for their capitalization. This figure exceeded the purchase-sale costs of the two banks by 4.091 billion new pesos, in May 1995 prices.

Fobaproa in May 1995 announced it would back Probursa for 4.7 billion new pesos by acquiring its portfolio at market value.

Procapte, which was created on 24 February 1995 to help banking institutions meet the minimum capitalization requirements with a 60-percent credit risk coverage index, constitutes an additional backing system for banks.

Through Procapte, 6.488 billion new pesos were earmarked at the beginning to capitalize six banking institutions, including Serfin, which on 13 June announced the settlement of its debts for 3.2 billion new pesos.

Injection of Resources

Thanks to Fobaproa's acquisition of Serfin's portfolio for 4.3 billion new pesos, the amount of financial backing for 10 commercial banks will total 19.6 billion new pesos.

Capitalization Resources (in billions of new pesos)

Directly through Fobaproa		**Cost at Privatization***
Union-Cremi	7.000	2.9090
Probursa	4.700	1.1210
Serfin	4.340	4.6310
Workers Bank	0.300	-
Banpais**	N.A.	-
Total	16.340	
Through Procapte		
Inverlat	1.400	4.4320
Bital	0.700	2.3300
Bancentro	0.452	1.3620
Confia	0.425	1.6058
Banorie	0.311	0.4017
Total		3.288
Total Backing	19.628	18.7920

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Directly through Fobaproa		Cost at Privatization*
Serfin's Reorganization		
The bank is capitalized...		
by issuing shares	1.24	
by issuing subordinate liabilities	0.93	
Total	2.17	
Its finances are cleansed...		
Fobaproa acquires its portfolio and liquidates Procapte obligations	4.34	3.20

* Banks' purchasing price in billions of new pesos at May 1995 prices.

** Amount of official backing is pending

Source: REFORMA and Infosel data.

$300 Million Issued in Bonds in Capital Markets

PA1906202295 Mexico City NOTIMEX in Spanish 1114 GMT 19 Jun 95

[FBIS Translated Text] Madrid, 19 Jun (NOTIMEX) — The Mexican Government and the Bank of Santander today made official the first Mexican issue of bonds in the markets since December. The emission consists of a placement of two-year bonds totaling some $300 million.

Finance and Public Credit Secretary Guillermo Ortiz, who presided over the official ceremony with Santander Bank President Emilio Botin, said this emission is a sign of the markets' growing confidence in the recovery of the Mexican economy.

The emission will place $300 million in Europe, Japan, and the United States, in an operation in which 11 financial institutions are participating, in addition to the Santander Bank and the National Foreign Trade Bank of Mexico (Bancomext).

The amount to be placed was originally $200 million. However, the amount was increased because of the demand in the markets "which indicates a magnificent reaction" to the offer, Ortiz, who is on an official visit to Spain, said.

Ortiz said, "This is the first placement since December. It sends a message of tranquility and inaugurates the return of Mexico to the capital market."

Botin said the operation "demonstrates the positive reaction of the markets to the package of reforms the Mexican Government has implemented following December's financial crisis."

Botin added: "We hope that it will have a favorable impact on other investors and that it will help other emerging markets."

Botin added: "The Santander Bank is seeking an ever greater presence in the Mexican market, because we believe that Mexico continues to be a land of great opportunities."

Fifty percent of the Eurobonds will be placed in the European market, 20 percent in Japan, 20 percent in the United States, and the remaining 10 percent will be offered in various minor markets.

Also participating in the operation are: Lehman Brothers, JP Morgan, Union de Banques Suisses, Chase Manhattan Bank, ING Bank, Bear Stearns, Deutsche Bank, Morgan Stanley, ABN Amro, Salomon Brothers, and Swiss Bank Corporation.

This was Ortiz' first act during his visit to Spain, following the finance secretary's visit to Great Britain and Germany.

Ortiz will meet on Monday with representatives of the Bilbao Vizcaya, Argentaria, and Central Hispano banks, and will have a working meeting with Luis Angel Rojo, governor of the Bank of Spain, and Alfredo Pastor, secretary of economic affairs.

A spokesman for the Mexican Embassy in Madrid said that at noon Ortiz will have lunch with a large group of businessmen "who have a strong presence in Mexico."

In the afternoon, Ortiz will give a news conference in the Mexican Embassy to accredited Mexican correspondents in Madrid.

Ortiz will conclude his visit to Spain on Tuesday, when he will give a speech regarding the state of the Mexican economy to a group of important investors in the stock market in Madrid.

Roundup of Mexican Economic Developments

PA1906014195

[FBIS Editorial Report] The following is a compilation of reports on economic developments in Mexico monitored through 18 June.

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The Bank of Mexico, Banxico, announced that Mexico's international reserves increased $189 million from 2 to 9 June to settle at $10.65 billion. In its most recent statement of accounts, Banxico revealed that during the same period, the country's monetary base decreased from 47.424 billion new pesos to 45.815 billion new pesos. Banxico explains that the increase in international reserves was due to the repayment of $379 million in credits previously granted to commercial banks through the Savings Protection Banking Fund, Fobaproa. It was also explained that the amount repaid was greater than the $291 million repaid in treasury bonds, Tesobonos, through the mechanism specifically established by Banxico for this purpose. Likewise, the increase in international reserves occurred as a result of currency operations between Banxico and Mexican Petroleum, Pemex, as well as with other public institutions. (Mexico City EL FINANCIERO in Spanish 15 Jun 95 p 7)

According to a Mexico City, 13 June datelined report, the Secretariat of Finance and Public Credit, SHCP, announced that Mexico's Serfin Financial Group would receive nearly $364 million in financial assistance to support its financial support program. The SHCP also announced that the financial support program includes structural modifications to strengthen Serfin's liquidity and solvency, as well as the sale of part of its portfolio to Fobaproa. According to the announcement, of the total amount of resources to be received by Serfin, $209 million will be in shares and the rest will be through subordinate issues convertible into Class L shares with a five-year maturity. In addition, Serfin will be able to count adequate capitalization levels that will allow it to repay, prior to maturity, $536 million in subordinate obligations it has with the Temporary Capitalization Program, Procapte. (Mexico City NOTIMEX in Spanish 1741 GMT 13 Jun 95)

A recent report prepared by the Foreign Investments Directorate of the Secretariat of Commerce and Industrial Development, Secofi, with Banxico explains that foreign corporations in Mexico transferred nearly 15 percent more of their profits abroad during the first quarter of the year than during same period last year, despite the recession in the Mexican economy. The report also notes that the profits transferred abroad by foreign corporations was greater than the amount reinvested in the country during the same period. Likewise, foreign commissions, amounts paid out, and royalty payments by these international corporations also increased during the first quarter. The report states that between January and March of this year, foreign corporations in Mexico transferred approximately $352.8 million in profits. (Mexico City LA JORNADA in Spanish 12 Jun 95 pp 60, 50)

Banxico reported that exports to South America grew 2.1 percent during 1994, while exports to Central America grew 5.9 percent. The report added that the trade deficit with South American countries amounted to $957 million — a 70.6 percent increase compared to 1993. Mexican imports from South American countries increased 19.9 percent; in other words, 5.9 percent more than 1993. (Mexico City REFORMA in Spanish 12 Jun 95 p 32a)

The National Commission of the Retirement Savings System, Consar, reported that the total accumulated Retirement Savings System, SAR, balance as of 2 June totalled 38.6638 billion new pesos, 16.6534 billion of which is part of the retirement sub-account and 22.104 billion of the housing sub-account. (Mexico City REFORMA in Spanish 12 Jun 95 p 23a)

Secofi and an economic consultant group agreed that despite the drop in imports of consumer and capital goods, Mexico will continue to depend on purchases abroad. Estimates indicated that NAFTA purchases alone in 1995 will include the importation of a little over 2.7 million tons of agricultural products, 178,500 tons of cattle products, 237,470 metric tons of forestry products, 864,670 tons of orange juice, 25,000 tons of sugar, clothing, and cotton, as well as vehicles to transport people and merchandise. In accordance with NAFTA, these figures will increase 3 percent every year until the year 2004. Secofi believes trade with Colombia, Bolivia, Venezuela, Costa Rica, and Chile will increase 100 percent over 1994 figures. (Mexico City EL FINANCIERO in Spanish 12 Jun 95 p 26)

In the first quarter of 1995, the balance of payments reached a surplus of $2.5176 billion, a 74.3 percent decrease compared to the same period in 1994. According to Banxico, Mexico received $9.9908 billion in foreign loans during the first quarter of 1995, which compensated for a drop in foreign investments resulting in a negative cash flow of $7.588 billion. Foreign portfolio investments fell $16.2815 billion in the first quarter, and direct investments 67.1 percent compared to the same period last year. The surplus in capital accounts was due to Mexico having received $7.5322 billion more in loans and deposits than it received during the same period in 1994. (Mexico City EL FINANCIERO (ANALISIS Supplement) in Spanish 16 Jun 95 p 3A)

The Agriculture, Livestock, and Rural Development Secretariat reported that as a result of the drought in northern Mexico, imports of basic grains — maize, beans, and sorghum — will increase from 7 million tons

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to 9 million tons to cover the nation's needs. (Mexico City LA JORNADA in Spanish 16 Jun 95 p 7)

The Secofi Prices Department and Banxico reported that the increase in food, beverage, and tobacco prices was greater than the inflation rate in the first five months of the year. In May, food, beverage, and tobacco prices increased 3.04 percent, while the overall inflation rate was 2.18 percent. In April, housing increased 7 percent while the inflation rate was 5 percent. In the first quarter of 1995, the consumer price index increased 3.8 percentage points in January; 4.2 percent in February; and 5.9 percent in March. During the same period, the basic food basket increased 4.5 percent in January; 4.3 percent in February; and 8.9 percent in March. (Mexico City LA JORNADA in Spanish 16 Jun 95 p 48)

The National Foreign Trade Bank of Mexico, Bancomext, reports it placed $300 million in Euronotes with foreign investors. Bancomext said demand caused it to increase its original emission from $200 million to $300 million. The Eurobonds have a two-year maturity and a six-month London Interbank Offering Rate coupon, plus 5 percent. (Mexico City LA JORNADA in Spanish 16 Jun 95 p 50)

Banxico and the National Banking and Securities Commission, CNBV, reported that over half of loans to individuals were used to build or buy homes. The CNBV reports the loan balance of private banks increased 18.340 billion new pesos from December 1994 to March 1995. Housing loans totaled 10.271 million new pesos, or 54.67 of total loans granted. The CNBV also reports credit card purchases decreased 8.6 percent between December 1994 and March 1995. (Mexico City LA JORNADA in Spanish 16 Jun 95 p 48)

According to a Mexico City, 17 June datelined report, the Committee on Pricing of Petroleum Products, Natural Gas, and Petrochemical Products of the state-owned Pemex approved the adjustment of fuel oil prices for industrial use in the exterior. Starting Friday, the cost of a cubic meter of fuel oil at the Cadereyta refinery will be $69; in Madero, $68; in Minatitlan, $64; in Salina Cruz, $76; in Salamanca and Tula, $63. At piers, the new prices are as follows: in Lerma, $79; in Guaymas, $88; in Lazaro Cardenas, $83, in La Paz, $87; in Manzanillo, $86; in Rosario, $90; in Topolobambo, $69; in Veracruz; $69; and in Irapauto, $75. (Mexico City NOTIMEX in Spanish 1019 GMT 17 Jun 95)

The Pemex Pajaritos maritime terminal reported that from January to April of this year, it handled 74,217,807 barrels of crude for export and served as a cabotage point for oil, petrochemical products, and gas. (Mexico City LA JORNADA in Spanish 13 Jun 95 p 42)

Since 20 May, the National Bank of Mexico has granted investment units worth 2.5 billion new pesos to medium and small businesses from the country's various industrial sectors. (Mexico City REFORMA in Spanish 14 Jun 95 p 25-A)

Government Approach on Poverty Viewed

95CA0265A Mexico City REFORMA in Spanish 1 Jun 95 p 7A

[Commentary by Lorenzo Meyer, Colegio de Mexico historian and international relations specialist: "Poverty"]

[FBIS Translated Text] What is the underlying, historic, unresolved problem, the great burden that has been weighing on the shoulders of Mexican society for centuries and has prevented it from achieving the destiny its various ruling elites have promised it as the great national project? One possible answer is: poverty. Indeed, poverty is at once the root and the result of the string of failures that, like beads on a tragic rosary, make up the heritage left by the successive ruling groups that have tried to modernize Mexico since the 17th century, portraying the interest of those in power as the general interest of the kingdom, first, and then of the nation.

Julieta Campos has just reminded us of the above in her monumental essay on this issue, titled "Que hacemos con los pobres? La reiterada querella por la nacion" ["What Do We Do With the Poor? The Constant Battle for the Nation"] (Aguilar, 688 pages). This work is simply a well-written account of the battles that Mexico has waged and lost in its long and frustrating war on poverty. The title of the essay, "What Do We Do With the Poor?", was taken from a question that appears in the 1875 correspondence between one of the great leaders of the liberal movement during the last century, Ignacio Ramirez [also known as "Nigromante," or the "Necromancer"], and Carlos Olaguibel, governor of Mexico state. The same question that was posed by the Necromancer, and the various answers that have been given to it, had already led Moises Gonzalez Navarro to explore the idea of Mexican liberalism and its approach to poverty in "La pobreza en Mexico" ["Poverty in Mexico"] (El Colegio de Mexico, 1985). He found that the answer was simple: For liberals, the problem of the poor was the business of the poor themselves, and no one else. From that perspective, the only way out was for the poor to join together and help each other, in the hopes that in the slow process of economic development—under the direction of and for the benefit of the elite—education, migration, or the implacable harshness of Malthusian demography would dry up the great sea of centuries-old poverty.

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Advances and Retreats

Thus, "what to do with the poor" turned out to be a question without a clear answer for the liberals of the last century, especially when they had the responsibility of power. For the Necromancer and his followers, however, one thing was clear: The solution to the problem of poverty—which affected the majority of Mexicans—was not a matter for the Mexican state to solve, since it would simply be "senseless to sacrifice social institutions to them (the poor)." In the final analysis, it should be the market, and the market alone, that should determine the economic fate of each individual: Economic benefits would trickle down to the lower echelons of society.

Formulating the problem of poverty the way the Necromancer did was not a step forward from that long period that constitutes our colonial history. In practice, the elite of New Spain had not found an answer to Ignacio Ramirez' question; in fact, that uncomfortable question was not even asked. The poverty of the Indians, the "lepers" of the colonial rabble, was accepted as a fact of life and was left for Christian charity, not to solve it, but to manage it. For this reason, when the curious Alexander von Humboldt visited New Spain between 1803 and 1804, he defined that Mexican society, on the verge of terminating the long colonial period, as one of brutal contrasts: a peninsular, criollo minority that was extremely wealthy, in a sea of extremely poor people, the Indians and mestizos.

But between the colony and liberalism, an attempt had been made to find a different answer to the question of what to do with the poor. When the popular war broke out against Spanish domination in 1810, Jose Maria Morelos proposed that, once independence was gained, political power should be used, among other things, to redistribute land ownership, that is, to bring about a new body of laws that would "moderate opulence and indigence" in such a way that the worker could finally receive the just fruits of his arduous labor. For the insurgent leader, poverty was the business of the state, since it did not originate in individual failings but in the structures of society. Unfortunately, Morelos did not have the opportunity to implement the generous tenets of his "Sentimientos de la Nacion" ["Sentiments of the Nation"].

Actually, it would not be until the current century dawned—when the great political and economic edifice built by the liberals was violently razed by the Mexican Revolution of 1910—that the problem of what to do with the poor would be raised again. Then a new answer was found, one more in keeping with Morelos's vision than with that of the modernizing liberals. It was based on the assumption that in a society with the terrible historic legacies that Mexico had to contend with, the laissez-faire attitude of "let the chips fall where they may" would not solve the problem of extreme poverty, but would in fact aggravate it, as the ancien regime, the Porfirist government, had shown so well.

Battle for the Nation

In Julieta Campos' essay, the history of independent Mexico is interpreted as an ongoing battle for the nation among the elite; a struggle among the interests, models, and visions of the country, which have proposed different approaches to the fundamental social problem: extreme poverty. In 1917, when the smoke cleared and the guns died down after the civil war, it became apparent that the dispute for the nation had been won by a philosophy quite different from the previous one, antiliberalism.

The new Constitution turned out to be a compromise between the social radicalism of Magonists, Zapatists, and socialists, and the pragmatism of Carranza and the northerners, the shameful continuation of Porfirist economic modernization. The group from Sonora (Obregon and Calles) was given the task of putting the new formulas into practice, but it did the job in such a way that it looked like the winners would be the same ones as always, the few. However, unexpectedly, the Sonorans were succeeded by Lazaro Cardenas. During the Cardenas administration, nationalist and revolutionary radicalism made doing battle with poverty the priority of state institutions. At that time—not without errors, inefficiency, and corruption—a policy was defined that favored the redistribution of wealth through agrarian reform, nationalizing the oil industry, and providing government support for labor interests over those of capital.

Cardenism ended up lasting but an instant—in fact, less than a six-year presidential term. The shadow of the general from Michoacan ("a great and generous father for the orphans of the centuries," as Julieta Campos called him) fell across the decades, however, and those who succeeded him were compelled to maintain, albeit symbolically, the postrevolutionary regime's commitment to the poor. Agrarian reform and welfare programs were defined as a permanent and inseparable part of policy, although in practice they served more as mainstays for the corporate and patronage apparatus of the authoritarian presidency, and less, much less, as poverty fighters.

Neoliberal Triumph

When "the promises of the revolution" ceased to be promises over time and became realities, the "two Mexicos" remained, perhaps not as markedly as in 1910, but still there. And the data on the distribution

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of families' disposable income are consistent with that: In 1975, the 50 percent of Mexicans who were the least fortunate had to make do with 13 percent of the income, while the 20 percent who were at the top of the social pyramid enjoyed 62 percent of the income. It was clear that, despite the revolution, the old millstone of poverty and injustice was still hanging around the neck of Mexican society.

It was then that the long and scaly tail of the crisis began to coil around us. Welfare programs all around—Fonafe, Program to Extend Health Coverage to the Rural Environment, Pider, Coplamar, etc.,—the doubling of real social spending between 1970 and 1986, and finally, very few accomplishments because of corruption and improvisation, made social policy an ad hoc operation whose real objective was to benefit not the poor but those who administered their needs politically.

In the renewed dispute over the nation, rooted in the failure of developmentism, it was the neoliberals who triumphed, and Julieta Campos devotes most of her effort to dissecting them minutely. Bolstered by their worldwide victory, the neoliberals returned to the trickle-down approach to fighting poverty, which had been proposed by the Necromancer in the last century, and which had not yielded any results in practice. For the governments of Miguel de la Madrid, Carlos Salinas, and Ernesto Zedillo, the state's first obligation was to concentrate everyone's efforts on aiding a handful of people to accumulate tremendous quantities of resources—Vitro, Cemex, Carso, Televisa, Cifra, Banamex, Comermex, etc.,—so that they would stimulate the market. And that market, magically, through exports, would solve the problem of unemployment and, ultimately—the last link on the causal chain—poverty.

But the neoliberals were operating in the shadow of the Mexican Revolution, and they could not do exactly what the liberals of the last century did: ignore the poor. Thus, while the phenomenon that Daniel Cosio Villegas considered impossible, "wealth by contagion," was becoming a reality, the National Solidarity Program (Pronasol) was created to help the poor tolerate an extreme poverty that will not disappear in generations, and to make sure their frustration did not boil over into actions against the system.

The verdict on Pronasol has come from all sides. For one thing, the neoliberals, with all their welfare programs averaging $2 billion a year, have not managed to reduce poverty; in fact, it has increased: Whereas in 1977, 58 percent of Mexicans were classified as poor, in 1992 that figure was 66 percent (EL FINANCIERO, 28 May). Moreover, Pronasol and the poor only had an indirect relationship. Indeed, in a study on the effects of Pronasol in Zacatecas, it was concluded that 54 percent of the beneficiaries could not be considered poor. Thus, Pronasol was really directly related to the reinforcement of the president's image and the maintenance of the authoritarian apparatus, not to the poor. And definitive proof of that was the outbreak of the neo-Zapatist rebellion in Chiapas in January of last year.

In conclusion, we are reaching the end of the 20th century, and Mexico's central problem continues to be the same one that was identified from different perspectives by Humboldt, Morelos, and the Necromancer: that of two Mexicos that can become one. Until we make the assault on poverty—on centuries-old injustice—the priority of our collective effort, we will not achieve modernity...or true solidarity.

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El Salvador

President on Fiscal Crime Law, Wage Increases, Talks

PA1906231495 San Salvador TCS Television Network in Spanish 1200 GMT 16 Jun 95

[Report by Eleonora Sanchez from the "TCS News" newscast — passages within quotation marks recorded]

[FBIS Translated Text] Salvadoran President Armando Calderon Sol has spoken in San Miguel about fiscal crimes, wage increases for government employees, meetings with political parties, and other issues of national interest:

[Calderon Sol] "The honorable Supreme Court of Justice has the last word on constitutional matters in El Salvador. In response to anyone who feels affected because fiscal fraud has been categorized as a crime, I believe all Salvadorans are obligated to contribute to our nation's development."

This was the Salvadoran president's response to the announcement by the Christian Democratic Party [PDC] that it will file an appeal of unconstitutionality against the Fiscal Crime Law at the Supreme Court of Justice. The president also has mentioned the wage increases for government employees. Apparently, no specific solution has been reached yet:

[Calderon Sol] "I favor a wage increase and have instructed the economic cabinet to conduct a study and to make suggestions so that we can reach a decision together."

Regarding the acquittal and possible reinstatement in the ruling party of former government official Colonel Sigifredo Ochoa Perez, retired, Calderon Sol has said Arena [Nationalist Republican Alliance] would handle the situation:

[Calderon Sol] "If Ochoa Perez is an Arena member, he has the full right to seek any position. The party and its organizations will decide that matter.

[Unidentified reporter] "You have initiated a round of talks with the political parties to obtain support for the San Andres Pact. I would like to know whether these meetings, which you have initiated with the PCN [National Conciliation Party], have continued and what results have been obtained thus far.

[Calderon Sol] "In essence, the talks are under way, and not a single topic has been questioned. If the political parties believe other topics should be included, we can use them to enrich the pact. If the name disturbs them [words indistinct], it can be changed.

"I have held informal talks with the FMLN [Farabundo Marti National Liberation Front] and Democratic Convergence, and I am going to extend an official invitation to them. I hope they will attend; the same goes for the other parties, including the PDC, which, perhaps, has questioned the pact the most."

President Calderon Sol will meet with the Unity Movement at the Government House today.

Nicaragua

Banks Increase Loan Portfolios by Only 7 Percent

PA2006030395 Managua BARRICADA in Spanish 17 Jun 95 p 6

[Report by Xavier Rayo Valle]

[FBIS Translated Text] Last year, the group of banks constituting the local financial system adopted a drastic economic adjustment measure: It restricted the financing of economic activities credits to the point that two state banks indicated a negative record, and this is nothing to be proud of.

A report by economist Roberto Ramirez Cordero published in the magazine PANORAMA INTERNACIONAL has revealed that contrary to the rest of Central America, Nicaraguan banks increased their loan portfolio by only seven percent, half of the Salvadoran portfolio.

Ramirez Cordero, who has based his work on the banks' balance sheets and financial statements—information he has received from the areas' bank superintendencies—has placed only three Nicaraguan banks among the top 50 that invest their resources and that of their depositors in credits.

State-owned Banco Nicaraguense de Industria y Comercio, Banic, registered the largest number of deposits ($101.3 million) but only loaned 80.3 million, decreasing the credit figure by 17.9 percent in comparison with the previous year (1993).

Banco Nacional de Desarrollo, Banades, the country's largest, delivered $216.9 million in credits (2.7 times its deposits for $90.3 million), meaning its financing grew by 3.9 percent, the ninth in the region. Banco de Credito Centroamericano, Bancentro, obtained $57.5 million in deposits and loaned 28.8 million, but the percentage of the growth of its loan portfolio rose by 174 percent, the biggest in the country.

Meanwhile, Banco de America Central, BAC, registered $48.3 million in deposits. Its credit figure was 34.2 million, and its percentage went up by 97.9 compared to

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the previous year. Banco Mercantil received $42.4 million in deposits and financed $33.7 million, increasing its loan portfolio by 131.9 percent.

Banco de la Exportacion, Banexpo, obtained $38.6 million in deposits and loaned 21.1 million, increasing its financing figure by 169.8 percent, the second largest in comparison with 1993. Interbank's deposits amounted to $22.9 million and delivered 17.1 in credits, meaning its loan portfolio rose by 45.3 percent.

Banco de la Produccion, Banpro, received $37.6 million in deposits and delivered 30.9 million in credits, growing by 44.5 percent. Banco de Prestamos, Banpres, received $26.4 million in deposits and financed 24.7 million, only 0.2 more than the previous year.

Banco de Credito Popular, BCP, obtained deposits for $22 million, but its financing was 28.6-percent more than what it received. It is in 20th place in Central America, but its growth in financing was negative, 10.5 percent compared to 1993.

The experts' analysis has revealed that with the Central Bank's decision to increase the percentage of the banks' legal reserve, the banks' financing will continue to drop, and, at the same time, the interest rate on loans will go up even if they are negotiated.

For economic experts, an interesting aspect of the Nicaraguan economy is the destination given to financed funds, particularly in the case of private banks, which are very careful in using it for irrigation projects, farming, and cattle breeding, the basis of the country's battered economy.

Likewise, economic experts find it interesting that Banic, the bank with the largest number of depositors, dropped its financing by 18 percent compared to last year and that Banco de Credito Popular, which loans to small- and medium-size merchants, also registered a drop of 10 percent.

Labor Leader Discusses Assembly 'Occupation'

PA1906211095 Managua Radio Sandino in Spanish 1200 GMT 19 Jun 95

[Telephone interview with labor leader Guillermo Najera by an unidentified station announcer; from the "What's Happening" newscast — live]

[FBIS Translated Text] [Announcer] The Sandinist Assembly is demanding that the government establish dialogue and negotiations with the many social sectors that are demanding solutions to their socioeconomic problems. The Sandinist Assembly believes that the agreement between hierarchies, the pact between the National Assembly and the Executive Branch, harms the interests of the nation and the poor majority.

The Sandinist Assembly has also protested the sanctions imposed on Deputies Nathan Sevilla, Damaso Vargas, and Francisco Rivera, and has instructed the Sandinist faction at the National Assembly to file the pertinent amparo at the courts of justice.

What's happening at the National Assembly? It has been occupied since last week by labor leaders and workers. On the telephone is Guillermo Najarro of the National Federation of Trailer Unions [Federacion Nacional de Sindicatos Traileros] who will explain what is taking place at the National Assembly. Go ahead, Guillermo.

[Najarro] Good day, people of Nicaragua. I am hereby announcing that today marks the fifth day of our occupation of the National Assembly. All of us are willing to remain inside the building until the problems we have outlined at the Assembly are resolved. We are also supported by comrades on the outside — banana, coffee, and cattlebreeding workers and fighters.

Thus far, these comrades have been guarding against attempts to dislodge us from inside the building. Last night, there was a blackout; we still have water and telephones but we expect the electricity to be cut off at any moment.

I would like to say to the comrade deputies, the members of this National Assembly, that they are free to hold sessions. There are no obstacles; we are not creating any obstacles. We want them to hold sessions at this assembly, which is the people's assembly; they can come here today. The deputies who want to support us can also do so; they can come here, they can hold sessions today and respond the demands of the poor sectors.

[Announcer] Guillermo, last Saturday, the deputies held a session at Catholic University, Unica; they said that the National Assembly had been occupied. What area of the parliament are you in?

[Najarro] We are in the room where the deputies hold sessions. When the deputies arrive we will withdraw to the area where guests sit. We would not at all obstruct the session the deputies are supposed to hold today.

[Announcer] Guillermo, did the deputies or the National Assembly Board of Directors punish Deputies Nathan Sevilla, Damaso Vargas, and Francisco Rivera last Saturday? How would you characterize the attitude of the National Assembly Board of Directors?

[Najarro] We have vigorously protested Guzman's prepotency. However, some of the deputies have identified

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with us, and the Nicaraguan people should know that. These are honest deputies who are identifying with the popular sectors. The rest of the deputies should also identify with the problems outlined by the poor.

[Announcer] What do you people think about the agreement between the executive and legislative branches considering the fact that workers are being kept out from the Assembly's meeting room, which belongs to the people? Come in.

[Najarro] We are not familiar with the entire document but we have read about the Agrarian Reform, for instance. From what we have read, the document is virtually a complete regression. The document is worse than the proposal. The agreement represents a regression because it invites the Nicaraguan people to an uprising.

[Announcer] In its meeting yesterday, the Sandinist National Liberation Front called the government to a dialogue to find a solution to these problems. What do you people think about this call?

[Najarro] We agree with this call and the decisions made at the the Sandinist Assembly's meeting yesterday. We expect not only a call or a communique but actions to support us and let us stay. If we are forced out of here, we would have no other chance to apply pressure so that the problems presented can be solved.

[Announcer] If the deputies elected by the people, those who are supposed to represent workers and peasants, people's sectors, are employees, are those who are in the Assembly, why have only three of them sided with you?

[Najarro] Listen, although only three deputies have sided with us strongly, others support us, too. Why? Because some deputies have sold themselves. The very same rank and file deputies elected by the Sandinists have proven to be traitors. Although they have not yet taken sides, we expect them to change their stance and rise up to the people's demands.

[Announcer] You are still at the Assembly and impeding the sessions. Do you guarantee that the Assembly can continue its activities?

[Najarro] We will not become an obstacle or create disorder. We have made a decision. We will stay here until the people's demands are met satisfactorily. There are not only the 40 of us inside, but there are sugar cane, banana, coffee, rice, and cattleworkers outside. The majority of the workers are outside and support us wholeheartedly.

[Announcer] The decision to stay in the Assembly was the result of Luis Humberto Guzman's decision. He raised expectations when he met with you. Is this why you decided to stay?

[Najarro] We wanted to talk, first of all, and also to take over the Assembly. Our basic intent, however, was to talk and try to find a solution. He tipped the balance in favor of us staying. The people outside reinforced us.

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Argentina

Di Tella Deems Mercosur Presidential Summit 'Crucial'

PY1906134295 Buenos Aires NOTICIAS ARGENTINAS in Spanish 2352 GMT 16 Jun 95

[FBIS Translated Text] Buenos Aires, 16 Jun (NA) — Foreign Minister Guido Di Tella labelled the meeting that the presidents of the Mercosur [Common Market of the South] member countries will hold in Sao Paulo on 19 June as "crucial," on the grounds that the future of that integration endeavor "was at stake."

During a news conference at the Foreign Ministry, Di Tella said that the Mercosur presidential summit — at which the spotlight will be on Carlos Menem (Argentina) and Fernando Henrique Cardoso (Brazil) — is "very important" because nothing less than Mercosur "is at stake."

The foreign minister underscored: "We must speak our mind without dramatizing, but we must speak out. I think that this common market still lacks discipline, which is something that must be imposed" by all the signatory countries.

Di Tella criticized Brazil's decision to restrict car imports, stating that "before taking measures that may affect other partners one must remember one's obligations, because by having joined Mercosur one has gained in strength but has lost some measure of freedom."

The Argentine foreign minister was, however, of the opinion that the Brazilian president's "reaction" had been "very encouraging and positive" in resolving the conflict that arose from the decree on car imports.

Di Tella refrain from commenting on whether Argentina would accept an amendment to the Ouro Preto agreements. He said: "We will first wait and see what Brazil proposes to us," and added that "in all likelihood we will receive a proposal on how to handle the regulations laid down for cars."

He stressed that Argentina's position at the meeting will be "to make the parties honor prior agreements, while paying heed to whatever exceptional situation Brazil may be facing."

"We always have understood, and we do and will understand Brazil's problems stemming from its economic situation, and we will not adopt an unyielding position that may cause problems to a friendly country," he added.

Di Tella was of the opinion that Brazil is "basically a friendly" country. He nonetheless conceded that "there may be disagreements between friends."

The minister deemed that "where there is a will there is a way, and we may find a mutually satisfactory solution in a very short span of time, which does not have to go beyond a month."

He underlined that negotiations will start on 19 June and that both Brazil and Argentina "hope that we both hold the continuity of Mercosur in equal esteem."

Di Tella: Comment Misinterpreted by 'Pseudo-Journalist'

PY1906172995 Buenos Aires TELAM in Spanish 0049 GMT 17 Jun 95

[FBIS Translated Text] Buenos Aires, 16 Jun (TELAM) — Foreign Minister Guido Di Tella today attributed a comment he made during his recent visit to London, concerning immigration from neighboring countries, to misinterpretation by a 'pseudo-journalist.'

Di Tella played down the incident, noting: "A pseudo-journalist misinterpreted a private comment I made at the Argentine Club in London last week, and that was subsequently leaked to the press by mistake."

"We affirm that Argentina is a land of immigrants, and that we must be culturally prepared to receive a major flow of immigrants from our neighboring countries, like Paraguay or Bolivia, in the forthcoming years," he added during a news conference.

The incident originated in an allegedly pejorative attitude toward Bolivians and Paraguayans that was attributed to Di Tella, according to an article published recently by the newspaper PAGINA/12 and reproduced by the Paraguayan press on 15 June.

Di Tella denied having made deprecatory remarks about immigrants from neighboring countries.

He made it clear that he had only said that "the country must be prepared to avoid chauvinistic or segregationist reactions, because waves of immigrants will come to Argentina in the coming years due to our country's economic growth."

In concluding, the minister said: "It is unthinkable that we should try to stem the flow of immigrants through restrictive laws. We will try to channel that migration through legal mechanisms so as to stave off subsequent social problems. Still, whenever there are economic differences between countries, the migration of people is something unavoidable."

Reliable sources close to the Foreign Ministry confirmed that the Paraguayan Foreign Ministry today asked Argentine Ambassador to Paraguay Nestor Ahuad for a clarification of Di Tella's remarks.

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Main Points of Government Complaints to Brazil Noted

PY1906154095 Buenos Aires CLARIN in Spanish 18 Jun 95 p 2

[Article by A.G.]

[FBIS Translated Text] Argentina has submitted to Brazil a list of the main nine complaints about the provisional decree signed by Brazilian President Fernando Henrique Cardoso, which imposes restrictions on the import of vehicles and goes into effect within 30 days. The memo, to which CLARIN had access, was handed personally to Brazilian Ambassador Marcos Castrioto de Azambuja on 14 June.

The document officially charges that "Brazil is unilaterally creating its own automotive program and is thus denying what it signed in Ouro Preto" [the Common Market of the South, Mercosur, agreement]. The document also indicates that the compensation mechanisms between imports and exports and the accelerated amortization "are creating legal uncertainty and are harming the investment processes that have already been implemented."

The most important points of the complaint are:

— The creation of a Brazilian automotive program (with a reduction to 2 percent of the tariff for the import of parts, raw materials, and tools) is a unilateral modification of the common external tariff for that sector of the economies of the partner countries.

— The implementation of a compensation system between the imports and exports of factories, which is now open to future changes, is criticized.

— The accelerated amortization mechanism for assets that are used in the industrial process is in contradiction with the bases for the drafting of a common automotive program that was scheduled to go into effect on 1 January 2000.

— These two topics will require new negotiations on Mercosur's game rules for foreign investors "and will leave Argentina in an unfavorable position for investment. It also creates legal uncertainty and harms the investment processes that have already been implemented."

The two points have to do with the fact that investment in factories will be classified in Brazil as exports in the compensation system. On the other hand, the accelerated amortization will exempt the factories from paying taxes during the period in which they declare that they are recovering the invested money.

— The quota scheduled for the second six months of this year, which would be the equivalent to 50 percent of the imports that were made between January and June, is also questioned.

— Another point of disagreement resides in the fact that Brazil is demanding new documentation before Argentine vehicles cross the border (a new system that is called import waybill in Brazil).

No Reprisals Against Brazil Contemplated in Auto Dispute

PY1906165895 Buenos Aires TELAM in Spanish 1253 GMT 19 Jun 95

[FBIS Translated Text] Buenos Aires, 19 Jun (TELAM) — Foreign Minister Guido Di Tella stressed today that Argentina is not studying the possibility of reprisals against Brazil if the controversy over automotive trade within Mercosur [Common Market of the South] is not resolved favorably.

"The problem will certainly not be resolved with reprisals," the minister said at Jorge Newbery Airport, just before departing together with President Carlos Menem for Sao Paulo to participate in the Mercosur Economic Forum.

"We want Brazil to exclude Mercosur" from the limitations on vehicle imports, Di Tella stated, and insisted that the neighboring country "should have made an automatic exception (for the regional common market) because it is committed to that market."

In this respect he said that "if [Brazil] had made that clarification at the beginning there would have been no problems."

Answering another question, Di Tella maintained that in this situation Mercosur "is not at stake. Of course there was a serious disagreement, but we hope to have a good solution within the next few days," he said.

The minister stated that the Sao Paulo meeting "was going to be very important, but due to this problem with Brazil it has become doubly important for us."

He said that "President Menem's telephone conversations and the letter that was sent by Brazilian President (Fernando Henrique) Cardoso have left us very confident, but we are also standing firm, in that agreements have been implemented and they have to be complied with."

"Our problem now is to follow up a telephone conversation, a written invitation, and also an answer that was written with a very high level of cordiality, but also energetically in the defense of our interests," he said.

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Finally, Di Tella indicated that in addition to the problem of the automotive industry, Argentina and Brazil will also discuss "the Tierra del Fuego [Argentina] and Manaus [Brazil] free zones, and we will also discuss bilateral economic relations."

B.A. Province Suspends Purchase of 600 Brazilian Cars

PY1906235195 Buenos Aires LA NACION in Spanish 17 Jun 95 p 5

[FBIS Translated Text] Buenos Aires Province was the first to retaliate against Brazil for its decision to suspend Argentine exports of cars. On 16 June, Governor Eduardo Duhalde announced the suspension of the purchase of 600 Brazilian police cars in retaliation for the decree issued by [Brazilian] President Fernando Henrique Cardoso.

Duhalde stated: "We have decided to suspend the deal with Brazil because our relations have obviously changed and a provincial government cannot be indifferent to what has happened."

It was leaked that Duhalde informed President Carlos Menem about the decision the Buenos Aires Province government had made during a meeting they held at the Olivos presidential residence on 15 June.

Duhalde, speaking on Radio 9.90, said: "If Brazil puts up obstacles to our bilateral trade, the least we can do is reciprocate by adopting a similar line of action. I believe things will be straightened out, but until that happens, we must first defend Argentine jobs."

The business deal included the purchase of 600 police cars from Brazil and 200 from Chile. Only the latter transaction was confirmed.

Duhalde's unexpected decision was made following the Brazilian Government's decision to restrict car imports from Argentina. The protest lodged by President Menem, who threatened to cancel his trip to the Sao Paulo presidential summit, resulted in the Brazilian Government's decision to open a round of negotiations for 30 days.

Tierra del Fuego Governor Concerned Over Brazilian Tariffs

PY2006015395 Buenos Aires NOTICIAS ARGENTINAS in Spanish 2109 GMT 19 Jun 95

[FBIS Translated Text] Buenos Aires, 19 Jun (NA) — Tierra del Fuego Governor Jose Estabillo today expressed "concern" at the possibility of an 18 to 30 percent tariff imposed by Brazil on imports of products manufactured in the province, particularly home appliances.

Estabillo told NOTICIAS ARGENTINAS that the application of these restrictions "will kill the local electronic appliances industry."

The governor added that he has not yet received an official report on the matter, adding, therefore, that "we must await the results of the negotiations in Sao Paulo."

Measures To Reduce Spending by 1.3 Billion Pesos Expedited

PY2006033895 Buenos Aires LA NACION in Spanish 7 Jun 95 Section 2 p 3

[Article by Claudia Boragni]

[FBIS Translated Text] Unable to cope with their budget imbalances, the provincial governments are facing the challenge of reducing their expenditures.

As announced by LA NACION, eight provinces, including Cordoba, San Juan, Rio Negro, Catamarca, Formosa, Entre Rios, Chaco, and Corrientes, approved the removal of 70,000 public posts. The reduction would involve contracted personnel and personnel from state-owned enterprises and state organizations.

With this measure, the provincial governments plan a reduction of about 700 million pesos per year in wages.

Nevertheless, these are not the only provinces. Mendoza, Santa Fe, Salta, and San Luis will also attempt to save about 600 million pesos this year. Thus, all these provinces would save about 1.3 billion pesos.

Mendoza Province is preparing a new strategy to cope with the budget imbalances. Official sources told LA NACION that the main goal of this strategy will involve "attacking the deficit of the Retirement and Pension Fund, which is still owned by the state, and involves more than 60 million pesos per year for the provincial coffers."

Streamlining government employment, involving a "significant percentage" of personnel from various ministries, has also not been ruled out.

The government of Rodolfo Gabrielli this year hopes to save 90 million pesos of the 1.4 billion peso budget. A significant portion of these savings will hopefully be achieved through measures adjusting the social security deficit of Mendoza Province.

In January, Santa Fe Governor Carlos Reutemann implemented a program reducing public spending by 100 million pesos.

A high-ranking Santa Fe government source told LA NACION that the privatization of the Bank of Santa Fe has been mired in the provincial congress "and the

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bank is withholding about 240 million pesos that remain unavailable to the government."

Transferring the Bank of Santa Fe and the Provincial Energy Enterprise to private hands would supply the required relief to cope with the lack of liquidity crisis troubling the province, therefore, Reutemann does not plan to streamline government employment for the time being.

Reduction of public spending in Salta Province is not new.

Salta Governor Roberto Ulloa told LA NACION: "In 1991, we began an adjustment, allowing us to reduce the budget deficit from 150 million to 18 million pesos."

Budget savings also included a 10-percent reduction of public servants' wages.

Concerning San Luis Province, even though it has, along with La Pampa Province and Buenos Aires Province, balanced accounts, it implemented a number of measures early this year, aimed at achieving savings totaling 300 million pesos.

San Luis Economy Minister Hugo Marin told LA NACION: "We achieved this level of savings by reducing public servants' wages and wages in the legislative and judicial branches between 5 and 15 percent."

San Luis Province also hopes to increase its funds with the privatizations that are still pending, including the provincial bank, the telephone company, the International Potrero de los Funes Hotel, and the Provincial Gas Directorate.

Santa Cruz Province also has a balanced fiscal budget.

At present, the government of Nestor Kirchner does not plan on implementing a reduction of public servants' wages or a streamlining of public posts.

Nevertheless, a strong adjustment has become noticeable in the provincial private sector. It is being said that this adjustment will have consequences.

Brazil

U.S.-Brazilian Security, Military Relations Examined

PY1706012995 Rio de Janeiro O GLOBO in Portuguese 15 Jun 95 p 6

[Article by Clovis Brigagao, political scientist and assistant director of the Center for North American Studies in Rio de Janeiro]

[FBIS Translated Text] After decades of bilateral relations marked by conflict and suspicion, Brazil and the United States have apparently inaugurated a diplomacy based on mature partnership with mutual commitments. This approach has emerged as an attempt to strengthen democracy, multilateral mechanisms, and the prospects for hemispheric integration at the beginning of the 21st century.

President Fernando Henrique Cardoso did not go to Washington with an open hand, to receive whatever he might be given — a traditional habit in the relations between Latin American countries and the United States. He presented a diplomatic agenda of a political- strategical nature, supported by the democratic functioning of Brazilian society, by the economic stability plan, by a series of initiatives in the security area (nuclear, drugs, etc.), by the human rights record, and by the rather delayed intellectual property rights bill (patents bill) that will be voted on by Congress this year.

The vision of the new foreign policy was presented by a president who has quite a fine perception of international relations and their mechanisms, in addition to being engaged in trying to make Brazil join the post-Cold War world. In addition to noting the two countries' commitment to promoting the liberalization of their economies and to expanding the flow of services, products, and capital, the Brazilian Government warned about the danger of the "speculation cloud" of financial roulette that can undermine the efforts and sacrifice that the "emerging economies" are making. The Brazilian Government suggested the creation of a "protection network" using a reformulation of the mechanisms and procedures of the IMF and the Bank of International Settlements (BIC). Brazil also suggested easing the conditions for accessing the General Arrangements To Borrow (GAB), so that the central banks could maintain tighter financial coordination in order to safeguard the benefits of the global integrated markets.

The complexity and interdependence of international relations promote the supplemental use of other world factors or resources. It was in this field that new partnerships were opened between the two giants of the Americas.

The nuclear field reflects this new partnership. Since the time of [former President Ernesto] Geisel's administration, Brazil — which did not sign the NPT [Nuclear Nonproliferation Treaty] and has criticized the Tlatelolco Treaty — has developed its own nuclear capacity through an agreement with Germany, through the Parallel Program, and through other initiatives. Brazil has not joined the international safeguard mechanisms, raising "suspicion" in the international community. Today, Brazil remains critical of and outside the NPT (which has been ratified by 176 countries). The country disagrees with NPT terms, which discriminate between

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countries that have and those that do not have nuclear weapons. Brazil advocates an agreement that includes obligations on the part of the great powers, with disarmament requirements and the progressive destruction of nuclear warheads.

Yet we ratified the Tlatelolco Treaty and redesigned our nuclear partnership with Argentina, accepting IAEA [International Atomic Energy Agency] safeguards. During the visit by Cardoso there were concrete initiatives for signing nuclear cooperation agreements — for us, this was equivalent to redeeming the mortgage in the nuclear sector — including nuclear reactor safety, production of radioisotopes for use in medicine and agriculture, and nonproliferation safeguards. Cooperation between NASA and the Brazilian Space Agency for development of the Satellite Launch Vehicle will favor Brazilian aspirations to make progress in the technological field and to acquire expanded knowledge in this strategic area. This will make feasible several projects, such as the binational satellite with China. There are also discussions on an agreement between INPE [National Institute of Space Research] and NASA for testing an infrared chamber in one of the space shuttle missions.

The slow, gradual, and cautious approach in the military area will dissolve a veiled conflict that has survived since the Brazil-United States Military Agreement was broken during the Geisel administration. Even though there is no total consensus among Brazilian officers (the ESG [War College] group) about the strategic advantages of such a rapprochement — because of the "sensitive areas" in bilateral relations (environment, military engagement in antinarcotics actions, and free access to sophisticated technology) — the U.S. policy is currently undergoing a strategic redefinition with respect to Brazil. The United States recognizes in Brazil an indispensable partner in hemispheric and international security affairs, while Brazilian officers believe that cooperation should be strictly dependent on the diplomatic ties between two sovereign states.

In the Amazon region, the military of the two countries have joined to fight epidemics and tropical diseases. For some Brazilian officers who resist, and are concerned about, the new initiative, the signing of a supplemental agreement in the area of endemic diseases might be in practice a signal of reactivation of the Brazil-United States Military Agreement of 1952. For Itamaraty it is not an adjustment of the 1952 agreement, which has already been terminated, but an entirely different agreement.

This is a good chance for the president and Congress — and for the military and the civilians involved in strategic affairs — to seek further insight into the discussions over the size of the Armed Forces and their specific functions. It is also a good chance for them to more clearly outline our defense strategy, based on the creation of the Defense Ministry, a step that is becoming increasingly necessary.

In a world of interdependence the path of bilateral economic relations crosses that of international relations in the areas of military and non-military security, thus giving rise to strategic partnerships. This mature stage, with mutual commitments, will give Brazil a more favorable position in the international community. This is the course that we have to follow, with growing responsibilities and with multiple benefits for society.

Diplomatic Efforts To Win U.S. Warplane Contract Noted

PY1906160395 Rio de Janeiro JORNAL DO BRASIL in Portuguese 17 Jun 95 p 15

[Article by correspondent Flavia Sekles]

[FBIS Translated Text] Washington — The Brazilian Embassy in Washington is concentrating its efforts, in an attempt to influence the U.S. Government's decision in the bidding to choose the enterprise that will build from 800 to 1,000 planes to replace the training fleet of the U.S. Navy and Air Force.

The result should be announced within the next two weeks. Among the pre—qualified enterprises is a consortium formed by Embraer [Brazilian Aeronautics Company] and Northrop Corporation, which jointly produce the Super Tucano.

Contending in this bidding, which is known by the acronym JPATS (Joint Primary Airplane Training Subject), are the Super Tucano, a turbo-propeller plane with an estimated cost ranging from $2.3 million to $2.5 million; a Beechcraft turbo-propeller plane, and three jets from Cessna, Rockwell, and Northrop Grumman (a division of the same company that is Embraer's partner). The initial contract with the U.S. Armed Forces, to be in force over the next 20 years, is estimated at $6 to $7 billion.

Optimism

On 16 June, Brazilian diplomats showed a high level of optimism regarding the possible victory of the Super Tucano, which for Embraer would be a superb gift: The U.S. seal of approval would probably elicit hundreds of additional orders by other countries.

In addition to a reception that Brazil hosted at the U.S. Congress this week, which was attended by the two senators and approximately 15 congressmen from

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the state of Florida — where the Super Tucano will would be assembled — Brazilian Ambassador Paulo Tarso Flecha de Lima has had frequent contacts with the U.S Government and with Florida Governor Lawton Chiles to exert the maximum political pressure to get the decision to favor Embraer.

A letter that Governor Chiles recently sent to Defense Secretary William Perry, praising the Super Tucano, mentions the main topics cited by Super Tucano advocates. Governor Chiles will leave for Brazil (Rio de Janeiro and Sao Paulo) on a commercial mission over the weekend.

Employment

The plane, which is a Brazilian project but has 80 percent of its components built in the United States, will be assembled in St. Augustine, Florida, and will generate 500 jobs in that state and 1,800 others throughout the country. The fuselage and several other components will be imported from Brazil.

In his letter the governor also noted that the Super Tucano planes are used by 14 air forces throughout the world, including those of France and England.

In fact, in over 10 years of use of the Super Tucanos by the British Royal Air Force, no plane has been lost during pilot training, which proves that the planes have "a high tolerance for mistakes," while the consequences of pilots' "wild flying" can be easy corrected.

Competition

There are 650 Tucanos flying all over the world. This figure outnumbers all the other contending planes together. The cost of the plane, taking into account it useful life and maintenance costs, is 25 percent cheaper than the other contending jets.

At the flying tests conducted last year in California, the propellers of the Super Tucano — which has the same flying performance as a jet — caused it to lose to the actual jets. To the pilots the difference was like driving a Honda or a Ferrari. The terms of the contract, however, did not specify whether the U.S. Government preferred jets or propeller planes.

Political Game

The same political game that Brazil and Florida are playing to favor the Tucanos is being carried out by all the other states that are interested in the victory of other enterprises. The Cessna model, for example, will be produced in Kansas, the state of Senate majority leader Bob Dole.

The Tucano is not the only plane with participation by another country: the Ranger, from Rockwell, is produced by a consortium with Germany's MBB; the MK II from Beechcraft is produced with Switzerland's participation; and the S211A of Northrop-Grumman is produced with Italy. Only Cessna's Citation Jet is entirely American.

Cardoso Praises G-7 Creation of Crisis Assistance Fund

PY1906130295 Brasilia Radio Nacional da Amazonia Network in Portuguese 1000 GMT 19 Jun 95

[FBIS Translated Excerpt] President Fernando Henrique Cardoso yesterday received reporters at his weekend house in Ibiuna, Sao Paulo, to celebrate his birthday. On the occasion he praised the decision made by the G-7 to create an assistance fund with $58 million [as heard] to help countries going through financial crises as recently happened to Mexico.

Cardoso will today attend a summit of the Common Market of the South, Mercosur, in Sao Paulo. The objective is to discuss economic transformation, regional integration, and business perspectives within the bloc, which also includes Argentina, Paraguay, and Uruguay. [passage omitted]

Serra Defends Inclusion of Argentina in Import Restrictions

PY1906225295 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 18 Jun 95 p B1

[Article by Marli Olmos]

[FBIS Translated Text] Brazil will lose if the Mercosur [Common Market of the South] rules are not modified. Car industry sources say that the agreement, as it is presently constructed, makes Argentina more attractive for investments. According to a car industry executive, a car company situated in Brazil can increase its imports from Argentina by installing a production line there to bring tax exempted products into Brazil. If Argentina were included in the import quota system, such a flexible system would not be profitable.

Planning Minister Jose Serra defends the idea of including Argentina in the rule restricting car imports. According to car industry experts, Serra calculated that many companies would choose Argentina instead of Brazil. In fact, some groups like Toyota have already chosen Argentina. Other car industries are awaiting the establishment of rules before making a decision.

Serra's proposal was defeated. Everything indicates that car industries situated in Brazil will continue to increase investments in Argentine territory. In the case

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of car spare parts, the advantages are even greater. The Argentine car industry system establishes a 20 percent valuation factor for car spare part exports to Brazil; that is, for each dollar that is exported, $1.20 is credited to the company.

To this scenario we must add the fact that the Argentine market is depressed. The Argentine car industry counts on Brazil to sell its production of 400,000 vehicles per year. Last year, Brazil exported 31,026 completely assembled and 235,885 unassembled cars to Argentina.

Government Apparently 'Annoyed' Over Dispute With Menem

PY1906154295 Rio de Janeiro O GLOBO in Portuguese 17 Jun 95 p 18

[From the "Economic Panorama" column by Regina Alvarez: "At the Right Place]

[FBIS Translated Text] The government has been deeply annoyed over the controversy created by Argentine President Carlos Menem over the MP [Provisional Measure] that restricted car imports. According to a minister, the discussion was inappropriate and out of context. The government did not adopt the car import restriction measures for the purpose of hitting out at Argentina or out of fear of the Argentine market. The government was concerned about imports from Italy, Germany, Japan, the United States, and Spain. It was concerned about the total vehicle import figures, which from January to May accounted for $1.8 billion. Of this amount, Italian cars account for $517.8 million, German cars for $436 million, and Argentine cars for $63 million.

The importation of Argentine cars by Brazil stood at $16 million in May, while importation of Italian and German cars reached $105 million and $124 million respectively. In June, Argentine cars have accounted for 4.2 percent of total imported cars. In the opinion of the minister, the Argentine Government reaction actually reflected a dispute with Brazil over investment in the automobile industry. It is true that the changes in the rules of the game that Brazil has imposed could attract foreign investment that had already decided to go to Argentina. This is the case with Renault, for example, which has threatened to change its mind and build its new factory in Brazil, with investments of up to $3 billion. The point is that in this case, according to the Brazilian Government, it will be the market rules that will prevail. The Mercosur [Common Market of the South] agreement does not set forth that Brazil has to give up investments in order to benefit its partners, the advocates of the measures have claimed.

Chile

Garcia Predicts Free Trade Zone With Mercosur by Year's End

PY1506234595 Santiago EL MERCURIO in Spanish 7 Jun 95 p B3

[FBIS Translated Text] On 6 June, Economy Minister Alvaro Garcia announced that a free trade zone between Chile and the Mercosur [Common Market of the South] will have been established by December. He further announced that this agreement might include issues like the physical integration between our country and the Mercosur member countries — Argentina, Brazil, Paraguay, and Uruguay.

Garcia made these remarks in Buenos Aires, where he and his German counterpart, Guenter Rexrodt, are attending a meeting of Mercosur economy ministers.

Garcia reported that the feeling at the meeting was in favor of finalizing an association agreement with Chile in the course of the year. He noted that one should add to this the fact that Mercosur has formally agreed to establish a free trade zone with our country, an initiative that might then include other nations in the region.

The economy minister asserted: "The idea is to conclude negotiations on trade in goods by December. With this end in view, we will take advantage of the talks on the extension of preferential tariffs to include trade negotiations."

The minister commented that it is expected that the subject of physical integration — on which Mercosur member countries have shown a lot of interest in the establishment of transoceanic corridors — will be included in the fist stage of the negotiations. He made it clear, however, that no timetable has yet been established.

With regard to the question of services, Garcia said that as Brazil had just started a liberalization process in this area, he did not think that much progress could be made in that sector.

"That is why we agreed on the need to postpone this discussion until Brazil enacts the corresponding laws on the subject," he said.

The economy minister also met with the Argentine interior minister and the governors of all the Patagonian provinces to discuss an agreement on the development of the Patagonian Region.

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Brigadier Espinoza Refuses To Serve Sentence in Prison

PY1906205595 Santiago Universidad Catolica Television Internacional in Spanish 1800 GMT 19 Jun 95

[FBIS Translated Text] Brigadier Pedro Espinoza released a communique last night in the Army Telecommunications Command pointing out that he will serve his sentence in that Army command. We have a live relay by reporter (Antonio Neme):

[Begin relay] [(Neme)] Good afternoon. An environment of absolute tranquillity prevails here in the Army Telecommunications Command, where Brigadier Pedro Espinoza is staying. It should be noted that this routine was broken last night at about 2330 when Rodrigo Eitel, member of the National Renewal Youth Movement, appeared unexpectedly in front of the unit. Eitel, who is considered Brigadier Espinoza's friend and spokesman, read the following communique:

[Begin recording] As a result of the statement made by the Army commander to the effect that the right thing would be to have a place of detention that is secure, honorable, and peaceful, in relation to the ruling of the Supreme Court, I would like to convey to the people the following:

1. In my judgment, the place of detention built in Tilal does not have the conditions of security, honorability, and tranquillity that a detention facility should have for an officer of the Chilean Army who under no circumstance should be given the label of convicted or criminal. These are concepts that, due to dignity and military honor, I do not accept.

2. I reiterate once again that even though I believe I did not have a just trial, that I am innocent, and that the ruling was unjust, I accept the sentence given me, although I have not yet been notified, and in fact I am an Army officer on active duty. I have voluntarily been staying in the Army Telecommunications Command for the last 20 days.

3. Due to the various attitudes adopted by different personalities, and the public comments made by political leaders and government officials, without respect for the juridical order, I declare that I will serve the sentence in the Army Telecommunications Command where I am staying because I consider this unit an adequate place for a military officer. It fulfills the requirements of honorability, security, and tranquillity. Signed: Brigadier Pedro Espinoza Bravo. [end recording]

[(Neme)] This is the communique that was delivered at about 2330 by Brigadier Pedro Espinoza through his spokesman, Rodrigo Eitel, who is a member of the National Renewal Youth Movement. This was a live report. [end relay]

Espinoza Confirms Discharge From Army, Awaiting Arrest

PY2006031995 Santiago Universidad Catolica Television Internacional in Spanish 0100 GMT 20 Jun 95

[FBIS Translated Text] [Announcer] Good evening. The following is an exclusive report: The Defense Ministry tonight has discharged Brigadier Pedro Espinoza from the Army. This means that at any time Brig. Espinoza will be arrested and transferred to a penal institution.

A few minutes ago, Brig. Espinoza held a telephone interview from the Telecommunications Command Unit with journalist Pablo Honorato:

[Honorato] Good evening. Yes, indeed. A few minutes ago Brig. Pedro Espinoza held a telephone interview with us from the Telecommunications Command Unit. But let us now go to the Telecommunications Command Unit, where Antonio Neme has been detached.

Good evening, Antonio.

[Begin Antonio Neme relay] Good evening, Pablo. There is great expectation among journalists who have been detached to the Telecommunications Command Unit in Penalolen district.

Investigative Police officers may arrive at the command unit at any time to arrest Brig. Pedro Espinoza after he is notified about the Defense Ministry decision to discharge him from the Army.

We will be reporting any further developments, Pablo. [end relay]

[Honorato] Thank you. We will now broadcast the telephone interview we held a few minutes ago with Brig. Pedro Espinoza.

[Begin recording] [Honorato] Good evening, Brig. Espinoza.

[Espinoza] Good evening, Pablo.

[Honorato] Brig. Espinoza, do you continue to maintain that you will serve your sentence at the regiment and not in jail?

[Espinoza] Pablo, I have learned a few minutes ago that the Defense Ministry has undertaken proceedings to request my expeditious discharge from the Army. In view of this, I will cease to be a member of the Army in a few hours.

[Honorato] Does this mean that after this is accomplished, you may be arrested and taken to jail?

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[Espinoza] I said that while I was an Army member or belonged to the Army, for reasons of the dignity and honor of the military institution, I would remain at the Telecommunications Command Unit until I was notified that I was discharged from the Army. This is the position I have upheld and continue to uphold right now, when I have just been informed that they have undertaken proceedings to discharge me from the Army.

[Honorato] Does this mean that through the National Prison Police, the Investigative Police would be allowed to transfer you to the Tiltil prison?

[Espinoza] Right now, I believe that the Army has handed me over to the Investigative Police, which in turn will hand me over to the National Prison Police.

[Honorato] Would this happen tonight?

[Espinoza] Surely. I believe that in a few minutes I will be forced to leave the Telecommunications Command Unit in view of the fact that the institution I have been a member of for 46 years has handed me over.

[Honorato] How do you feel right now Brig. Espinoza?

[Espinoza] I am very calm, very satisfied. I believe that at this time the Chilean Army's military traditions have been demolished.

[Honorato] Thank you very much, Brig. Espinoza, for having granted this telephone interview.

[Espinoza] Thank you very much, Pablo, and goodbye. [end recording]

[Honorato] That was Brig. Espinoza, who a few minutes ago had a telephone conversation with us during which he confirmed that he has been discharged from the Army. Therefore, at any time he will be placed at the disposal of the Investigative Police, which, through the National Prison Police, will transfer him to Tiltil prison.

Colombia

Samper Predicts Destruction Of Cali Drugs Cartel

MS2006085495 London FINANCIAL TIMES in English 20 Jun 95 p 6

[Report by Stephen Fidler: "Samper Predicts Early End for Cali Drug Cartel"]

[FBIS Transcribed Text] Cartagena, Colombia — Colombian President Ernesto Samper has predicted the destruction "within months" of the Cali drugs cartel, reputed to be responsible for a large majority of the cocaine that enters the US.

The prediction follows the arrest this month of the group's supposed leader, Mr. Gilberto Rodriguez Orejuela, now being questioned in the Colombian capital Bogota, and a series of other blows at the cartel's intelligence gathering and money laundering networks in the last few months. Anti-drug forces have been closing in on Mr Rodriguez's brother, Miguel.

The president, speaking to a small group of European journalists invited to Colombia, made no claim that the destruction of the cartel based at the south-western Colombian city of Cali would end the country's drugs problems.

Other cartels would emerge to take its place, including possibly that of Medellin, once led by Pablo Escobar, who was killed in December 1993. Its current leaders were attempting to regroup from prison.

Mr. Samper said the government believed a military wing of the Cali cartel — based in the northern part of Valle, the department of which Cali is the capital — was ultimately responsible for the bombing this month in Medellin which killed more than 20 people. This group, led by Mr. Henry Loaiza, who is known as the Scorpion, had 15 ranches confiscated by the government this month.

Mr. Samper said the government had discovered and decommissioned, with foreign help, a sophisticated computer, built by Thomson of France, which had monitored every telephone call from Cali to beyond the city, recording those to numbers such as those of the defence ministry in Bogota and federal prosecutors. Thus, the cartel was able to stay one step ahead of the authorities. Government officials said the computer was discovered in March.

In other moves, the government had impounded hundreds of Cali taxis, used by the cartel for intelligence gathering and money laundering, and had frozen the assets of companies linked with the cartel. These measures had reduced the cartel's available cash and led to a sharp drop in the price paid for coca paste — the intermediate product in the manufacture of cocaine from coca leaf.

The government had also increased the reward for informers against drug traffickers to 1bn Colombian pesos ($1.2m). This had served, the president said, to destabilise the cartel psychologically. Two informers against the Cali cartel had already had their identities changed and had gone to live abroad.

Mr. Samper said the government had been unable to establish a link between the Medellln explosion and the bombing last Thursday of the Congress building in Bogota.

However, if a link were found, "then we'd be very worried."

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This was because it would imply an anti-government coalition of drug traffickers and the two main guerrilla groups in Colombia. The president said the FARC [expansion unknown] guerrilla group was known to carry out attacks for money and was thought to be involved in the Medellin attack.

The other main guerrilla group, the ELN [expansion unknown], had not allied itself with drug traffickers and it was more likely to have been responsible for the Bogota attack.

One of Reported Cali Cartel Leaders Turns Himself In

PA2006013895 Madrid EFE in Spanish 0114 GMT 20 Jun 95

[FBIS Translated Text] Santa Fe de Bogota, 19 Jun (EFE) — Drug trafficker Henry Loaiza, alias "El Alacran," accused of being one of the leaders of the Cali Cartel, turned himself in at an Army barracks in Santa Fe de Bogota today, military sources have reported.

Ministry Confirms Surrender of No. 5 Man of Cali Cartel

PA2006031495 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0130 GMT 20 Jun 95

[Interview with Colombian Defense Minister Fernando Botero by reporter Oscar Galvis at the 13th Army Brigade Headquarters in Santa fe de Bogota; from the "AM/PM Newscast" — live or recorded]

[FBIS Translated Text] [Galvis] Just moments ago, the Defense Ministry confirmed that Henry Loaiza, alias Alacran, just surrendered to judicial authorities. He is the No. five man of the Cali Cartel, for whom there was a reward of 500 million pesos. Henry Loaiza surrendered at the 13th Army Brigade Headquarters this evening. Defense Minister Fernando Botero will now confirm the report for the "AM/PM Newscast."

Mr. Minister, how did the surrender occur?

[Botero] He surrendered to the 13th Army Brigade. He sent a letter to this effect, and I received the letter today and learned of his intentions to surrender. He is here now and is being fingerprinted at this time. He will remain here under the custody of the 13th Brigade with all the necessary security measures. He will be transferred to the custody of the Prosecutor General's Office tomorrow morning.

[Galvis] In the next few minutes, we will have more details and pictures of Henry Loaiza from the 13th Brigade. This was Oscar Galvis, for the "AM/PM Newscast."

[Unidentified announcer] Following the arrest of Gilberto Rodriguez Orejuela, this is the second member of the Cali Cartel to fall into the custody of the authorities. Just three days ago, Rodriguez Orejuela said he had nothing to do with 45-year-old Henry Loaiza Ceballos, also known as El Alacran. He allegedly masterminded the murder of Jose Mardoqueo Cuellar, intelligence director of the DAS [Administrative Department of Security], last week for having arrested his lover. He also is accused of leading the squads of hit men in northern Valle, reportedly the perpetrators of the recent Trujillo massacre.

Within the infrastructure of the Cali Cartel, Loaiza commands the military apparatus. El Alacran began in the drug trafficking business as a worker at the ranches of major drug traffickers. He worked his way up and became one of the organization's most feared men, the reason why he was assigned the military wing.

According to the authorities, the fence around Loaiza was so tight that the only thing he could do was surrender. The 45-year-old Loaiza is accused of several crimes. Police found gold faucets and other such eccentricities in the houses they raided and during the last few weeks searched in Valle del Cauca and Cordoba Departments.

Minister on Surrender of Cartel's Loaiza

PA2006054195 Santa Fe de Bogota Emisoras Caracol Network in Spanish 0253 GMT 20 Jun 95

[News conference by Defense Minister Fernando Botero and Ramiro Bejarano Guzman, national director of the Administrative Department of Security, in response to the surrender of the Cali Cartel's Henry Loaiza, with local reporters and an unidentified moderator at the Narino Presidential Palace in Santa fe de Bogota; broadcast in progress — live relay]

[FBIS Translated Text] [Botero] ...which led to the surrender of one of the individuals who was being sought in an intensive operation by the government's security organizations, the Army, the National Police, and the Administrative Department of Security, DAS. This evening, Henry Loaiza, alias El Alacran, surrendered to the authorities. He turned himself in to the 13th Army Brigade and will be placed under the custody of the Prosecutor General's Office.

This surrender is the result of the persecution operations of the government, the Army, the National Police, DAS, and all other security organizations. As President Ernesto Samper has said, their objective is to provoke the disintegration of the drug trafficking organizations operating in Colombia. I would like to read now two

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documents that have already been handed to you; the first is a letter addressed to the defense minister, and the second is the formal surrender of Henry Loaiza, which read as follows:

Santa Fe de Bogota, 17 June 1995. Mr. Defense Minister Fernando Botero. Dear Sir: I, Henry Loaiza Ceballos, personal identification number 6,437,557, from Roldanillo, Valle, hereby freely respond to the charges filed against me. I believe it is in the interest of my own safety to surrender to the Defense Minister in order to seek justice, given your impartiality and honesty. I am a peasant of good spirit who has been portrayed as a criminal. God willing, I hope to prove the contrary. Yours truly, Henry Loaiza Ceballos.

This letter is dated 17 June, and I received it today. I would now like to read the letter dated 19 June, 1995, which reads as follows:

Formal surrender of Henry Loaiza Ceballos. We hereby state for whatever purpose that Mr. Henry Loaiza Ceballos, who says his personal identification number is 6,437,557 and is from Roldanillo, Valle de Cauca, has come forth of his own free will to voluntarily surrender to the authorities, as represented by Defense Minister Fernando Botero Zea, General Harold Bedoya Pizarro, commander in chief of the Army, Gen. Rafael Hernandez Lopez, commander of the 13th Army Brigade in Santa Fe de Bogota, and DAS National Director Ramiro Bejarano Guzman.

At 1945 on 19 June 1995, Mr. Loaiza Ceballos appeared voluntarily at the installations of the 13th Army Brigade where the above mentioned authorities greeted him. Given that there is a warrant for the arrest of Mr. Loaiza, the authorities placed him under the custody of the 13th Brigade, to be tuned over to the authority of the Prosecutor General's Office or the appropriate Regional Prosecutor's office.

The authorities registered the voluntary surrender of Loaiza Ceballos, who said he would make his first deposition before the Prosecutor General's Office, which is handling the case against him, with the presence of an attorney. On 20 June 1995, tomorrow, the 13th Brigade will transfer the defendant who has just surrendered to the Prosecutor General's office, along with the written statement addressed to the defense minister he presented at that time.

In order to confirm Mr. Loaiza Ceballos' identification, in light of the fact that he was carrying no form of identification, he agreed to allow DAS personnel to take his fingerprints. Mr. Loaiza Ceballos was examined by Lieutenant Doctor Patricia Barrios, medical registration number 1312, who found him to be in good medical condition.

In witness of thereof, Mr. Loaiza Ceballos and the appropriate authorities set their hand. Defense Minister Fernando Botero Zea; General Harold Bedoya Pizarro, commander in chief of the Army; Gen. Rafael Hernandez Lopez, commander of the 13th Army Brigade in Santa Fe de Bogota; DAS National Director Ramiro Bejarano Guzman; Lieutenant Patricia Barrios, M.D., medical registration number 1312; and Henry Loaiza Ceballos, personal identification No. 6,437,557, from Roldanillo, Valle de Cauca.

[Moderator] We now begin the news conference, the first question from Guillermo Gonzalez, from the Orion Newscast.

[Gonzalez] Minister Botero and DAS Director Bejarano, I would like to ask each of you a question. Mr. Minister, is the arrest of Gilberto Rodriguez Orejuela, the No. one man of the Cali Cartel, and now the surrender of who is charged with being the commander of the military terrorist wing of the Cali Cartel sufficient evidence to state that the cartel has been dismantled? Mr. DAS Director, I would like to know, based on the intelligence information you have at this time, who might be the next cartel member to fall into the hands of the authorities or who might surrender? Thank you.

[Botero] As President Samper has said, the arrest of Gilberto Rodriguez marks the beginning of the end of these organizations. The voluntary surrender of Mr. Loaiza Ceballos, also known as El Alacran, only means that we continue to make progress in dismantling these organizations. I would like to be absolutely clear in stating that the government will maintain and increase pressure until we attain our objective of arresting or securing the surrender of [word indistinct] and all those who make up the top management levels of these organizations.

[Bejarano] Regarding your question, I would say, as the defense minister has just affirmed, the government will continue to pursue restlessly all those who are wanted by justice. We believe that because of this persecution, those who are being sought should choose to surrender, as Loaiza has done today, as a result of the persecution. That is what the government expects. The surrender will be accomplished within the strict guidelines of the state of law, as with the surrender of Mr. Henry Loaiza today.

[Moderator] Diana Rodriguez, of the newspaper EL PAIS, will now ask a question.

[Rodriguez] Good evening, Mr. Minister and Mr. Director. How did you find out Henry Loaiza wanted to surrender, because, as you know, he went to the 13th

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Brigade? What role did the Army and the Cali authorities play in this matter?

[Botero] The security organizations played an important role in this surrender and will do so in other future similar actions, because, undoubtedly, it is due to the pressure, persecution, and clear and categorical work by the DAS, the Army, and the police. This is why this surrender occurred and why any future surrenders will occur. This is the result of a policy of pressure and persecution, a clear policy that the government and the security organizations are carrying out.

Regarding this case in particular, I received a call in which I was told that this person wanted to surrender. I said that should this surrender occur, the right place for it would be the headquarters of the 13th Brigade due to the security there. We went there. The DAS director and I arrived there, and the surrender took place a few minutes later.

[Moderator] Maria del Pilar Ortiz, from the RCN newscast.

[Ortiz] Good evening. Just as this letter exists [words indistinct] other individuals belonging to the Cali Cartel are already outside of Cali?

[Botero] I do not have any other letter besides this one. I was outside of Santa Fe de Bogota and outside the country for several days. I was in the city of Washington. As soon as I arrived in Santa Fe de Bogota, I left the city. I learned about the letter today, and I really do not have any other letters. There are many rumors about possible future surrenders, but there is nothing confirmed yet. The only certain thing is today's surrender by Henry Loaiza.

[Ortiz] Apparently, he had been in Santa Fe de Bogota for several days. Is that true?

[Botero] The information we have is that he arrived in Santa Fe de Bogota today. Reports that he had been in the capital for several days are not true.

[Moderator] William Varela, from Colmundo Radio.

[Varela] It seems that with the surrender of this member of the Cali Cartel in Santa Fe de Bogota, it has been demonstrated that the cartel members are spreading throughout the country. Is there a possibility of conducting operations in Santa Fe de Bogota and other cities of Colombia, the coast for example? They are no longer in Cali but all over the country. Also, are the members of the Cali Cartel going to be imprisoned at La Picota Penitentiary?

[Botero] The fact that Loaiza turned himself in here in Santa Fe de Bogota does not mean the members of the Cali Cartel have abandoned Cali, but what is clear is that the government will conduct operations anywhere it has to go. We believe Loaiza decided to come here and turn himself in voluntarily in Santa Fe de Bogota, as it has already been announced.

[Moderator] The last question will be made by Florina Hernandez, from the Todelar Newscast.

[Hernandez] Good evening. There has been talk in the last few hours about narco-terrorism and that these people are responsible for many of the violent acts that have taken place in the last few days, particularly the bomb planted in Medellin. Could we say that Loaiza is a narco-terrorist? Could he be responsible for the violent incident in Medellin?

[Botero] The government has been wise and cautious when making accusations. It has stated on numerous occasions that it has been conducting investigations and that it has given top priority to these investigations, but the government is not able at this time to make any types of accusations, not against Loaiza or against other people. The investigations are continuing so we can inform the public as soon as possible about the preliminary conclusions regarding the attack in Medellin, the attack at Congress, and the most recent incidents of terrorism and violence the country has, known, unfortunately, in the last few days.

Joint Command Officer Comments on Arrest of Cartel's Loaiza

PA2006035395 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0130 GMT 20 Jun 95

[Report by Oscar Galvis — from the "AM/PM Newscast"]

[FBIS Translated Text] Colonel Jorge Pineda Carvajal, chief of the Army Special Joint Command, has just made his first statements in Cali after learning of the surrender of Henry Loaiza Cevallos, alias El Alacran, here in Santa Fe de Bogota at 1945 this evening:

[Begin recording] [Galvis] We are here in Cali with Colonel Pineda Carvajal, whose troops have been pursuing El Alacran throughout El Valle del Cauca Department. Good evening, Colonel Pineda, what do you think of El Alacran's surrender in Santa Fe de Bogota?

[Pineda] Good evening. I believe it is some of the best news I have heard, and Colombians should also feel this way. It is one more indicator that calmness will return to the people of Valle del Cauca Department and to the country in general following the arrest of these drug lords.

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[Galvis] As for the other leaders of the so-called Cali Cartel, how are the operations going, and what results could we expect in the next few days?

[Pineda] I believe we have been obtaining results. Even though it is true that Gilberto Rodriguez Orejuela turned himself in, it is necessary to understand these drug lords have turned themselves in because of the pressure we have exerted through military operations. I believe two things are taking place: The drug lords are turning themselves in, and they are being arrested. It is well known that a blow was dealt to the Cali Cartel security groups recently. I believe it is another step forward in the fulfillment of the mission. [end recording]

Samper Said Free To Address Other Issues

95CA0268Y Santa Fe de Bogota CAMBIO 16 in Spanish 12 Jun 95 p 3

[Commentary by Eduardo Arias: "At Long Last, Getting Down to Governing"]

[FBIS Translated Text] Gilberto Rodriguez Orejuela has been caught. Finally. What a relief. And it was about time too. The entire country can take a half minute or so of its time to breath deeply a couple of times. To absorb what happened. To enjoy it. At least for a week.

Because this time the Government of the United States has also allowed itself a break to congratulate Colombia, its leaders, its security forces, and its judicial machinery. Even the U.S. ambassador, Myles Frechette, the one who disguised himself as a vampire, gave a champagne toast and said wonderful things about the authorities, the government, the country.

Colombia has not had such a break since 2 December 1993, when upon learning of the death of Pablo Escobar, the U.S. Government almost immediately demanded the capture of the Rodriguez Orejuela brothers.

What a relief. Rodriguez Orejuela behind bars. No more threats of economic sanctions, at least not this week. No more arrogant statements from Senator Helms, at least not this week. No more foreign ministers or ministers of the interior, justice, and defense rushing from Bogota to Washington to proffer explanations and put out fires, at least not for the rest of the month.

But the true scope of this stroke is still not easy to make out. Is the Cali Cartel finished? Is "a new stage of cooperation between the two countries" beginning, as U.S. President Bill Clinton says in these moments of euphoria? Will the people of Cali recover the tranquil, friendly city that seems on the verge of being lost forever because of mid-level cartel leaders and military operations? If only that were true.

The capture of Gilberto Rodriguez does not mean the end of drug trafficking, much less of the woes besetting the country. We do not even know whether his capture means the "beginning of the end" of the Cali Cartel, or whether it is merely a heavy blow from which it can recover.

But that matters little right now. Until the answers become known, let us allow ourselves to be carried away by the sweet melody of the victory announcements and the reaffirmations of principles: "Colombia will not flinch in its determination to struggle to the death against drug trafficking."

Yes, it is a real relief that the man who caused the government and much of civil society such distress is locked up in a maximum-security wing. It is a real relief that the man whom the United States demanded to see behind bars, under penalty of embargoes, sanctions, and even military interventions, is no longer at large.

Was it heads they wanted? Well, there is the biggest one of them all. And that is a great relief. At least for a few days.

It is a relief to assume that finally now the government will be able to govern in peace, or at least attempt to do so. Now indeed we will find out for certain what the Social Pact, the economic liberalization program [apertura] with a human face, is all about, and what Samper was referring to when he proclaimed that a time of the people had arrived.

The president's smile symbolizes the hope of a tomorrow that, if not better, will at least be more tranquil. At Narino Palace, Ernesto Samper announced to his aides that he was extending their contracts for three more years. Three years! This means that over the next three years President Samper will devote all of the energies and efforts to saving the countryside, to saving industry, to combating the decline in law and order, in short, to improving the quality of life.

Without direct pressure from the United States, President Samper will be able to try and govern with some degree of calm. He needs it; Colombia needs it. Besides its bad image, the country has serious problems. It is not a country that is easy to govern. And less so when the president has to account for his actions to a foreign power in order to frighten off the specters of blockades and sanctions.

This is perhaps the best news: after 10 months, President Samper will now finally be able to take up full time the job for which he was elected.

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Rodriguez Orejuela's Personal Files Found

95CA0267Y Santa Fe de Bogota EL TIEMPO in Spanish 12 Jun 95 pp 1, 8A

[FBIS Translated Text] Cali—Gilberto Rodriguez Orejuela, whom a team of anonymous prosecutors will begin formally investigating today and whose activities, as recorded by the U.S. Operation "Cornerstone" are summarized in today's EL TIEMPO, kept detailed records of every peso he spent.

His personal accounting records also include the checks that he wrote to leaders and the small, out-of-pocket loans he made to his employees or to individuals who occasionally went to him for help.

His accounting records are among the personal files that he zealously guarded in a wall safe (only he knew the combination) in the office of his home in which he was captured on Friday.

These files, to which investigators are already attaching undreamed of value, could further the progress of case 8,000, prompt the reopening of investigations into the case of the "narco-video," and even furnish fresh evidence against terrorists who were working for the Medellin Cartel.

The list of payments includes 16 political and business leaders as beneficiaries, 3 of them connected at present with the well known case 8,000. Former legislator and ambassador Eduardo Mestre Sarmiento, who is in prison under a court order, is one of them.

The other names are being kept confidential while the Prosecutor General's Office gives its legal backing to the information that police authorities have gathered.

Among the weightiest pieces of evidence is a 10-million peso check made out to an executive of a finance company in Valle del Cauca against an account in the Banco Andino.

The check was going to be cashed at a teller's window by a man who signed his name as Oscar Delgado, but the bank sent it back as lacking a seal and it was returned to Rodriguez.

Much of the accounting information is in code and refers to certain individuals by their initials, by name, and in certain codes.

A Palette of Colors

"Impressive" was the adjective that one official used to describe Rodriguez' intelligence file.

The texts are highlighted in colored ink in accordance with the importance of the information they contain: red for especially important, pink for urgent, and yellow for routine.

Highlighted in red is one note according to which a lawyer identified as Oscar Hoyos, who is said to have been very close to Pablo Escobar, was behind the "economic blandishments" that, again according to the files, the Medellin Cartel allegedly offered to certain Constitutional Assembly delegates to see to it that they would go along with the scuttling of extradition.

The documents uncovered mention six such delegates, whose identities EL TIEMPO will refrain from revealing while the authorities are gathering further evidence.

The documents indicate that Hoyos was the person who was controlling Humberto Buitrago Mustafa behind the scenes. Buitrago Mustafa is the man who appears in the "narco-video" offering a bribe to constitutional delegate Augusto Ramirez Cardona in a Bogota hotel room in which intelligence services had hidden a video camera.

He says that this lawyer was a business partner of Robert Moore, an American attorney in a lawsuit against a son of former President George Bush.

Red Brigades Member

One thick section of the file is devoted to intelligence on the Medellin Cartel.

Just like in a spy novel, Rodriguez Orejuela notes that he had located Richy Peter, a German terrorist who, according to his information, was active in the Red Brigades.

His notes indicate that Peter, whose car phone number Rodriguez even claims to have (besides information about his home), was in the Eastern Plains in 1990 giving instructions on how to handle explosives to thugs whom Escobar had recruited during the days of his bloody war against the State.

He kept detailed profiles of all Escobar's men on special cards. The information on "La Quica," the hired killer who is currently serving time in the United States, begins with his birth certificate.

He also has records of Escobar's telephone and radio telephone communications, which he managed to intercept over a lengthy period.

These records reveal the telephone numbers that the chief of the Medellin Cartel used to communicate with a well known TV personality who, according to Rodriguez, was one of Escobar's front men.

Leonidas Vargas, who is currently under arrest, is described as allied both with the Revolutionary Armed Forces of Colombia and the Medellin Cartel.

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Rodriguez also kept, in chronological order, the letters that Pablo Escobar sent him. In one of them he calls him a "lying hypocrite" and accuses him of having set off several car bombs so that the public would blame the Medellin group.

Effect of Drug War on Cali Economy Viewed

95CA0251Y Santa Fe de Bogota EL ESPECTADOR in Spanish 29 May 95 p 3B

Article by correspondent Yimi Melo Garcia

[FBIS Translated Text] Cali's economy is struggling with the greatest uncertainty in recent years.

This city, caught in the economic crisis generated by government policies and the more than real stigma of the drug traffic, is discouraging new foreign capital and technological investments.

The various sectors of the local economy are experiencing sharp reductions and slowdowns that will prevent them from fulfilling the estimates made at the beginning of the year, reflecting a considerable decline from the boom of previous years.

According to some trade association leaders, the present crisis could be described as recessive, while others claim that it involves a paralysis or slowdown.

The stagnation has originated in two factors. The first is the improper management of the national economy, which is keeping interest rates and lack of liquidity at a high level.

This has generated problems with credit, portfolio, and consumption of technological innovations, as well as an uncertainty that has channeled the meager funds remaining toward the stock market (fixed return securities).

The second factor is expectations, which are maintained regarding the prosecution of the drug traffickers, since it is not known when it will end, and what its real consequences will be.

The positive aspect of this factor is that it will rehabilitate the local economy, and take the artificial money out of circulation, according to the region's trade associations and leaders.

The Crisis.

Construction curtailed the boom of the past three years. During the first four months of this year, it declined 10.7 percent compared with the same period last year.

From 549,118 square meters of construction in 1994, the number dropped to 490,439 this year. According to Maria Claudia Alvarez, manager of the Colombian Chamber of Construction, Valle regional branch, the situation was foreseen as a normal cycle for the sector, although it has affected the money shortage on the market and high interest rates.

In her view, it is difficult to calculate the effect of money from the drug traffic on the sector, because the "launderers" have constructed without loans and hence, there are no official statistics.

According to Hernan Borrero, president of Fedelonjas [Commodity Exchange Federation], three years ago the drug traffickers put up 20 percent of the buildings on all the square meters with construction in Cali, and purchased between 15 and 25 percent of the city's urban land.

Borrero added: "The real estate sector is embarking on a process of crisis, not yet one of recession; but we will surely head in that direction if the money shortage continues."

He claimed that housing sales for social strata five and six are at a standstill: something that could last for a year and a half.

Among the lower strata, the situation is less complicated, but will become more acute, because there is no money on the market. Real property sellers claim that sales have dropped 60 percent, and that it could become worse.

Rodrigo Salazar Giraldo, president of ACOPI [Colombian Association of Small Industries], revealed the crisis among small- and medium-sized enterprises (Pymes), noting that 10 percent of the association's 250 member entities are engaged in agreements between insolvent and creditors to avoid bankruptcy.

He maintained that raw material prices have risen 50 percent, and have brought companies producing ready-made clothing, graphic arts, footwear, leather, and plastics to the brink of bankruptcy.

Salazar Giraldo added: "Besides the money problems, the drug traffic wields a great influence, and has caused us to have an artificial economy. We have been influenced by ill-gotten capital, but we are asking our members to withstand the crisis, because the economy must be made transparent."

The Colombian Restaurant Owners Association [Acodres], claims not to have been seriously hurt by the crisis, because its income did not depend on the drug traffic. "We are more afraid of tax reform."

"People are learning to eat in restaurants," commented Rodolfo Ocampo, president of Acodres.

The 25 discotheques in the Juanchito section have had their sales and clientele reduced between 20 and 50

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percent during the past two months. "The clientele is changing, and those coming now have fewer financial means," remarked Leoncio Amu, president of a discotheque owners' association.

Fabio Rodriguez, president of the Cali Chamber of Commerce, claimed: "The local economy expects the macroeconomic situation to become normal, and the expectations generated by the Cali Special Task Force, which have been particularly damaging to night life and businesses, to end."

German Holguin, chairman of the Valle del Cauca business owners' standing committee, for his part, asserted that the situation is difficult because of the drug traffic and the widespread violence in all parts of the country:

"The violence is curtailing economic growth everywhere, and Cali could not be an exception. We are undergoing a slamming on the economic brakes, which some studies have calculated at 2 points of the GDP on the national level.

"It is only natural that a violent environment such as the one in which we live should scare away foreign capital and technological investment."

Moreover, sales of auto parts in the city have risen only five percent during the four months of this year—15 percent less than had been estimated by Diego Alberto Otalora, chairman of the Asopartes board.

He added that Cali is undergoing a recession that is evident from the bills past due and lack of liquidity in the sector, which has been further hurt by contraband. He said that 90 percent of the auto parts in Cali are imported, at a cost amounting to $82 million in 1994. This year, that sum should increase to $100 million, but there is no money for keeping commitments.

The sector's sales had increased six percent as of last April.

The Valle del Cauca governor himself, German Villegas, announced the layoff of 250 government employees, owing to the decline in departmental income. The Valle Liquor Industry, which provides the revenues, has reduced its sales of bottles of whiskey by 800,000. The same situation is afflicting the other sectors, including tourism, which is resorting to all types of devices to attract travelers, but without positive results. The stock market is the one benefiting most, because the uncertainty regarding interest rates has channeled the savings of Cali residents to the secondary market.

The volume of transactions on the Western Stock Exchange has increased 32.96 percent thus far this year, whereas the target was 24 percent, according to Julian Dominguez, the entity's president. CDTs [fixed-term certificates of deposit] and both private and public bonds are the items most transacted, whereas equity shares are declining. According to Dominguez, the concern is for the future, because of the stoppage of payments. "We are experiencing a good economic period in the country, and we should not stigmatize Cali with a recession. The drug traffic's influence is being felt on the street level, but not on the real sector of the economy. Work must be done on economic measures to reduce interest rates and recover liquidity."

Although using different terms, all the sectors agree that there is an economic crisis in Cali, originating in the government's economic measures, and that the prosecution of the drug traffic will rehabilitate a flourishing economy, in which it participates with the second national GDP.

Paraguay

Protest Lodged Against 'Derogatory' Argentine Remarks

PY1906161095 Asuncion ABC COLOR in Spanish 17 Jun 95 p 12

[FBIS Translated Excerpt] On 16 June, Foreign Minister Luis Maria Ramirez Boettner lodged a protest against "the hardly friendly" remarks made by his Argentine counterpart Guido Di Tella, who allegedly said in London (England) that he did not like Paraguayans and Bolivians. Ramirez Boettner faxed a letter to Di Tella on 16 June with a clipping from the 15 June edition of the newspaper ABC COLOR (page 14), which refers to the Argentine foreign minister's remarks.

"We wonder whether that statement was in fact made or whether it is misinformation from the press. If it is the former we protest at the unfriendly reference to the Paraguayan and Bolivian peoples, as we deem the expression used to be derogatory," reads the letter signed by Ramirez Boettner.

The foreign minister subsequently adds in his letter: "If it were the latter (misinformation from the press) it would behoove Your Excellency to make an official denial of this remark about fraternal nations with which we are trying to maintain increasingly closer relations, and especially in the case of Paraguay, which is a partner in an economic integration scheme."

This letter was sent to the Argentine Foreign Minister yesterday at midday. Enclosed with the letter was a copy of the newspaper article published in the 15 June edition of ABC COLOR (page 14) entitled "Argentine Foreign Minister Despises Paraguayans and Bolivians," which

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was based on an article published by the Argentine daily PAGINA/12 in its 11 June edition. [passage omitted]

OAS Secretary General Gaviria Interviewed

PY1906181495 Asuncion ABC COLOR in Spanish 18 Jun 95 p 20

[Interview with OAS Secretary General Cesar Gaviria Trujillo by Hugo Ruiz Olazar in Asuncion; date not given]

[FBIS Translated Text] [Ruiz] Your arrival at the OAS has given new motivation, a new vitality, to an organization that had apparently lost a lot of its credibility over the past few years...

[Gaviria] Yes. I believe that a series of factors came together simultaneously. The end of the Cold War helped our countries to share the same principles, to abandon the language of confrontation. That is what, in a certain way, has happened in America.

[Ruiz] It was being said that the OAS was behind the times. Some even say that up to today...

[Gaviria] Well, it was behind the times because it did not move quickly enough with regard to the new topics on the international agenda. But it had already begun to work on the topic of democracy and support it in several countries where the constitutional government was in danger.

[Ruiz] Up to a short time ago everyone was allowed to join the OAS: democrats, dictators... What are the OAS' ideas today?

[Gaviria] The OAS is an organization of democratic countries that is committed to the defense of democracy wherever it is in danger. It is moving to strengthen the human rights system. It is also beginning to be the technical pillar for the creation of a free trade zone...

[Ruiz] The objectives are much more extensive. But do you have support in the economic sector? Because some are saying that the OAS is bankrupt...

[Gaviria] No. The OAS is not bankrupt. From the financial viewpoint we do not have such a large budget as do other multinational organizations. The presidents have placed emphasis on democracy, human rights, the environment, and trade. Those are the topics that mobilize resources within the international community. The organization is becoming more accustomed to being the designer of projects, to work with the IDB, the World Bank, the United nations, and with some nongovernmental organizations...

[Ruiz] Do you attribute the triumph of democracy in Haiti to the OAS? Some say no, that it was a U.S. victory.

[Gaviria] The OAS played a very important role because it maintained the problem active, at least during the first 2 years. The international community's attention was called to it. It made the first great efforts at mediation. When the efforts did not seem to be sufficient, the problem was taken to the UN Security Council, which ordered the use of the military.

[Ruiz] You were a brand new secretary general, and were seen to be very enthusiastic, when the armed conflict between Peru and Ecuador broke out. You immediately traveled there, but they rejected your mediation. That was also seen as a black mark...

[Gaviria] No. They did not reject it. That problem has really always been in the hands of the four guarantors. What I tried to do during the first few hours was to try to prevent the conflict from becoming any bigger. We offered everything we had if it was deemed necessary...

[Ruiz] Is it your belief that political upheavals are the continent's main problem? The investors are not coming. What strategy does the OAS have to guarantee democracy, which seems to be very weak in the hemisphere?

[Gaviria] We have a fairly clear view. We are not willing to accept any kind of attack against constitutional order in any country. We work with that always in mind. During this phase we are trying to organize an objective that will go even further than the defense of democracy in times of crisis, as was done in Peru, Guatemala, and Haiti. We want to promote democracy in order to strengthen it, especially in those countries that have very new democracies.

[Ruiz] Do you agree that the military factor continues to be a great barrier that is stopping democracy from becoming effective...?

[Gaviria] Well, in some countries there are still some remnants of this problem. But I am convinced that these problems are now becoming things of the past. In today's world, in America, there are no reasons for those problems. There is an awareness that cannot be debated: The military must be subordinated to the civilian authorities. And at this time I cannot even imagine that it will be debated. Presidents obviously have the responsibility of taking action, of proceeding, so that this topic will be something of the past.

[Ruiz] They are now demanding that Cuba should rejoin the OAS. They say that it is only the United States that is applying pressure so that this might not occur...

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[Gaviria] We believe that peaceful and diplomatic measures must be used to resolve the American community's problems. We also believe that there are still some topics that can only be resolved through bilateral measures, between the United States and Cuba, for example. There are other topics of a multilateral nature in which the organization can play an important role in trying to strengthen economic changes, to make way for political changes, and eventually obtain Cuba's reentry into the inter-American system.

[Ruiz] Do you have a strategy for America to fight drug trafficking, taking into account your experience as former president of Colombia?

[Gaviria] We have a program that supports the countries in the legal aspect. It has been a useful, efficient program... We believe that eventually the OAS can play an expanded role by addressing higher level officials, especially those who have more political responsibility. We have been concerned, in this respect, that there is no awareness in the continent that this is a problem in which responsibility has to be shared.

[Ruiz] Do the countries that the Unites States included on its "black list," those countries that do not cooperate enough in the fight against drug trafficking, such as Colombia and Paraguay, consider that the North Americans have committed an injustice...

[Gaviria] I do not want to discuss topics of a bilateral nature. I believe that the drug trafficking problem is not resolved by just simply thinking about the responsible parties. One can work more efficiently when responsibility is shared clearly within the framework of cooperation.

[Ruiz] You had just left the Colombian Government when the U.S. sanctions were made known. Was that something like a disapproval of your government, despite some achievements that you had made, such as putting the former mafia capo Escobar out of circulation?

[Gaviria] No... Those are topics of the past, and they have already been forgotten. During my four years in the government I had the opportunity of working within a framework of cooperation. The problems started emerging during these past few months. Obviously I hope — and I hope that it will be the same for my country — that the capture of the boss of today's largest drug cartel will be taken advantage of, in order to somewhat dispel the skepticism about Colombia and advance toward greater international cooperation.

[Ruiz] What is your opinion of Paraguay, of its image abroad, on the basis of these charges of public and private corruption?

[Gaviria] Paraguay's image abroad is quite positive. There is great hope in democracy. I do not share the idea of those who believe that Paraguay has a negative image abroad. The thing is, and this occurs in all countries, the media publishes the bad news because it is news. But I do not believe that it can be said that Paraguay has a negative image. On the contrary, Paraguay has a good, a positive image.

[Ruiz] Do you believe that these rumors, these constant reports, these threats of a rupture in the democratic process might suddenly bear fruit...?

[Gaviria] I do not believe so. I cannot imagine how that could happen during these times. I believe that the American community would move in solidarity and as a whole to support Paraguay's constitutional system.

[Ruiz] Transferring that question to the continent, do you believe that that risk exists to some sector, some region of America?

[Gaviria] Well, democracy does not have the same strength in every country. It is not ingrained in all countries so that one could say that it is completely irreversible. But I believe that the movement that we have experienced during these years is undoubtedly toward democracy, and to protect it above everything else.

[Ruiz] Some presidents are warning about the dangers of the fragmentation of integration due to the existing number of organizations. Do you believe that the time has arrived to reorganize, to reduce, so as not to distract and neutralize the initiatives?

[Gaviria] I am nevertheless confident that it is a problem we can manage. Before traveling to Asuncion I stopped over in Montevideo to participate in the special trade meeting, which is the group that has been meeting with an eye to strengthening the advance toward the creation of the free trade zone of the Americas.

[Ruiz] How do you view that process?

[Gaviria] It is progressing well. There is quite a lot of technical work, quite a lot of awareness about the need to advance in that field. There are a lot fewer obstacles than one could have imagined...

[Ruiz] Do you believe that the existence of a dozen organizations complicates the work of integration: SELA [Latin American Economic System]; ECLA [Economic Commission for Latin America]; Caricom [Caribbean Common Market]; ALADI [Latin American Integration Association]; groups of countries...

[Gaviria] To simplify at a certain time could be necessary and suitable due to the number of organizations.

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[Ruiz] Which way would the scales incline? Toward the OAS...?

[Gaviria] No. We are making no kind of proposal. I believe that within the Rio Group there are some proposals that will allow some of the organizations that you have named to, shall we say, to have much closer ties with the Rio Group. But I do not know what other kind of proposal there could be...

[Ruiz] In sum, the function of the OAS is at this time only political?

[Gaviria] It is not only political, it also has economic functions. We have created a trade unit and are working intensely to give it the technical support for the creation of a free trade zone.

[Ruiz] Does that have a specific deadline?

[Gaviria] The deadline is the year 2005.

[Ruiz] The year 2005?

[Gaviria] That was decided at the Summit of the Americas.

[Ruiz] That would mean joining NAFTA, Mercosur [Common Market of the South], the Andean Pact...

[Gaviria] Yes, everything, everything. All must converge on a sole agreement.

[Ruiz] And according to you, this is possible?

[Gaviria] Well, at this time there is a clear indication that the countries are moving in that direction.

Peru

Notes on Judiciary Reform 17-23 May

95SM0354C (Internet) Peru DESCO Gopher in Spanish 25 May 95

[From Resumen Semanal]

[FBIS Translated Text] Minister of Justice Fernando Vega Santa Gadea has announced that toward the middle of this year, the Academy of the Magistracy will begin operation. This institution will have responsibility for the training and specialization of judges throughout the country. During an interview, he explained that this academic body will probably have as its main location the former headquarters of the National Election Board opposite the Campo de Marte in the district of Jesus Maria. The minister explained that attorneys who want to embark upon a judicial career will first have to pursue and pass a demanding course of study at the Academy of the Magistracy. Also, the promotion of judges to the higher courts and the Supreme Court will depend on prior successful completion of special courses at the Academy. "In a country like Peru where there are more than 30,000 lawyers, and more than 2,500 graduate every year, it is hard to have confidence in the quality of education in the law in Peru," he said. (EXPRESO 22 May 95)

The convocation of a general council of judges and a permanent special plenary chamber, both with a view to a temporary strike, are the immediate responses of the judges in Lima to the government refusal to adjust their salaries, judicial spokesmen have confirmed. The magistrates are demanding that the Ministry of Economy and Finance [MEF] implement the judgment secured by the judiciary, based on a petition for relief, calling for the execution of the organic law of the state authority on the salary problem. This has not been done because the MEF has failed to promulgate the norms required for the transfer of the needed funds to make payment possible. The judges will be holding their meetings, beginning very early, in the magistrates' chamber located on the fourth floor of the Palace of Justice, and in the premises of the ANM [National Association of Court Personnel]. (EL MUNDO 23 May 95)

Notes on Municipal Politics 17-23 May

95SM0354D (Internet) Peru DESCO Gopher in Spanish 25 May 95

[From Resumen Semanal]

[FBIS Translated Text] The Popular Christian Party [PPC] will not participate in the municipal elections this year, the National Political Commission of that party has announced. Thus the PPC has become the first political party to recognize officially that it is impossible, in the short run, to meet the requirement set forth in Law 26452 that the signatures of at least four percent of all of the voters must be submitted in order to obtain recognition by the JNE [National Election Board]. "This law is proof of the intention to eliminate the political parties before the coming municipal election process," the Political Commission of the PPC said in the statement it disseminated. It also said that "the PPC is leaving its members free to participate in the municipal electoral process individually, or together with citizens of demonstrated moral quality, recognized ability, and dedication to service and the democratic culture, in order to work for the common good in their respective neighborhood districts." (Most dailies 20 May 95)

Ricardo Belmont, the mayor of Lima, appeared in public again on 19 May, speaking before the 36 aldermen who attended the regular session. After announcing his official withdrawal from politics, he urged the city

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council members to work for the city during the final seven months of his term of office. After stating that this was merely a visit, because his latest permit expires this coming 10 June, Ricardo Belmont informed the plenary session that his ill-timed return from the United States was due to the fact that this same day, at nine in the morning, he was summoned to appear at a hearing on the civil case filed against the state on 4 May 1994 in connection with Legislative Decree 776. "It was necessary for me to defend the arguments against Decree 776 personally. Following the hearing, I believe that we may win the case, and if so, the 166 million soles that we did not receive in 1994 will be returned, and this will be left for the next mayor," he said. During an address that lasted half an hour, the mayor of the city spoke about his political defeat, and in an unusually open statement, he admitted that he had made errors in his municipal administration. However, he maintained that despite his physical absence from City Hall, "I have always been linked with the municipality." (EL COMERCIO 20 May 95)

Economic Notes 17-23 May

95SM0354E (Internet) Peru DESCO Gopher in Spanish 25 May 95

[From Resumen Semanal]

[FBIS Translated Text] On 16 May, the process of selling 60 percent of the shares in the Continental Bank held by the state was completed, with the payment of the $255.7 million offered by the Peruvian-Spanish Consortium (Brescia-Bilbao Biscay Bank Group), which was awarded the bid in the public auction held last 18 April. In accordance with a clause in the contract governing the purchase and sale of the shares, the winning consortium, made up of the Bilbao Biscay Bank, of Spain; and San Borja Investments, Jardin Urban Development, and Minsur, of Peru, joined together to form Continental Holding, S.A. At the ceremony convoked by the Special Privatization Committee [Cepri] of the bank, the cash component offered, totaling $195.7 million, was paid over with the delivery of two cashier's checks, one for $140,572,722.48 payable to the Conade [National Development Corporation], and the other in the amount of $55,127,277.52 payable to the COFIDE [Financial Development Corporation]. (GESTION 17 May 95)

The National Superintendency of Banks and Insurance Companies [SBS] has established new parameters for the classification of credit portfolios including criteria determining the number of calendar days elapsed for consumer and mortgage credit purposes. Also, it has established a generic provision calling for at least one percent for all commercial and mortgage credit, and three percent for consumer credit classified as "potential problem loans." Another novel aspect is the establishment of generic provisions governing unauthorized overdrafts and purchases exceeding customers' credit card limits that are not covered within the nine days following the payment date. (GESTION 18 May 95)

Alberto Bruce, the president of Peru-Petro, has announced that "Mobil and Shell have joined together to develop Camisea. Shell has assumed 57.5 percent of the assets and liabilities, while Mobil holds 42.5 percent. The association covers Camisea and Lot 75. The contract was negotiated by Peru-Petro with Shell and Mobil. Shell is the operator and has the negotiating authority. At the beginning of this year, these companies indicated their interest in joining together for the purpose of the Camisea process. This month they issued a letter officially announcing this association. The actual results are being assessed, but it is expected that the final report from Shell will propose alternatives for the development of Camisea, indicating what markets to approach first of all, the market volume, and the type of consumers." (El COMERCIO 18 May 95)

Jaime Quijandria Salomon, the former president of the Petroperu [State Petroleum Agency], made the statement that in privatizing the state oil industry, the central activities in oil negotiations should be defined with a view to the establishment of an integrated enterprise that would include prospecting, production, refining, marketing, and eventually, retail sales units, while the other units should be transferred individually to the private sector. He maintained that under the proposed integration scheme, Petroperu would only have Lot 8, the La Pampilla refinery, and the terminals needed for the distribution of the products derived from oil. In this connection, he proposed that 50 percent of the shares of Petroperu, conceived as an integrated enterprise, should be sold to a foreign oil company on the basis of a bidding process like that used in the process of privatizing the Peruvian Telephone Company. The requirements to be met by the foreign oil company purchasing this 50 percent would include demonstration of a series of characteristics, such as that it is an international operator of the first rank, that it has suitable levels of capital and reserves, and that it is committed to major investments in the enterprise. (EL COMERCIO 19 May 95)

For the privatization of Petroperu, Peru could choose to use the Argentine model. In the sale of the Argentine Government Oil Deposits [YPF], the state was allowed to retain a percentage of the shares, to sell another part of them to the workers, and to offer foreign investors a package enabling them to assume control of the enterprise. This is what Javier Sota Nadal, the rector of the National Engineering University [UNI],

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has proposed for the sale of Petroperu. While he did indeed admit that it was difficult to make a judgment about the desirability or undesirability of selling parts or the whole—since according to him, this is clearly a technical decision—Sota Nadal said he favors the Argentine model because in that scenario, the state retains a role allowing it to prevent investors from working against the national interest. (EL COMERCIO 22 May 95)

The National Center for Higher Oil Studies [Cenaep] maintains that the privatization of Petroperu should provide for the possible future participation of this enterprise in the exploitation of the Camisea gas deposit. Rafael Iriarte, the president of the Cenaep, said it is the position of his institution that the sale of Petroperu must inevitably be inspired by the urgently needed and certain economic growth of the country. To this end, he added, Petroperu must be maintained integrally and should carry out the same activities as it currently pursues. However, this would not prevent it from transferring no more than 40 percent of its shares to foreign capital enterprises. On the other hand, he expressed the belief that of the remaining 60 percent of the Petroperu shares, up to 20 percent could be transferred to the workers in the state oil enterprise having active labor contracts, as well as to retired employees of the enterprise. He added that up to nine percent might be placed among scattered shareholders, with the balance remaining in the possession of the state. (EL COMERCIO 23 May 95)

The creation of a new investment fund in Latin America is the most recent indication that interest in the region on the part of investors in North America is reviving. The new fund, the Latin American Enterprise Fund, which has up to $150 million for investment in large private companies in Latin America, is headed by Pedro Pablo Kuczynski. "The Mexican crisis increased the market opportunities" for private investments, "and not just in Mexico," because it is easier to obtain favorable conditions now, he explained to THE NEW YORK TIMES. Kuczynski hopes for annual returns of between 35 and 40 percent. The fund will invest in companies that bill at least $50 million annually. Among the powerful groups supporting the new fund established by Kuczynski and his companion and colleague, Nancy Lange, who is an institutional fund management analyst, are a Bank of America subsidiary, Chemical Banking, Connecticut Mutual Life Insurance, and the International Neederlanden Groep. Another investment fund, Darby Overseas Investments, Ltd., established by Nicholas Brady, the former secretary of the treasury, and Daniel Marx, a former leading Argentine financier, has already made investments in Latin America. (EXPRESO 20 May 95)

In a continuation of the privatization process, three buildings belonging to the Entuperu [Peruvian National Tourist Enterprise] were sold on 22 May for a total amount of $227,700.00. One of the buildings, located in the small Junin quarter in the heart of Lima, was awarded to the investor Mesias Gonzales Sanchez, whose bid was $212,500.00—a figure higher than the base price established by the privatization committee. Also, Gallito de Iquitos was sold for $8,500.00, and the La Punta building, in Camana, was sold for $5,000.00. These buildings were purchased by Jorge Foinquines and Casino, Ltd., respectively. Only three bidders participated in the process, since a fourth investor failed to qualify. (GESTION 23 May 95)

Modeled Economic Growth

Minister of Economy Jorge Camet, for his part, said the following during an interview. "I have never talked about slowing the economy down. A cooling of the economy while poverty still continues would be madness. In the draft of the letter of intent we have concluded with the IMF [International Monetary Fund], we set the growth figure at between six and seven percent, with inflation of between nine and eleven percent for this year. Personally, I think that we will see growth of at least eight percent, but we will not reach the rates of 12 and 13 percent reported in 1994, either, because continued growth at that rate would leave us with a totally negative current account balance. No country in Latin America, not even Chile, has had growth of more than seven percent. What purpose would such growth serve if it were followed by a collapse? It is for this reason that we have proposed more moderate growth. This does not mean that we are entering into a recession. Social expenditures will not be cut. We must have a primary surplus similar to the 0.5 percent in 1994. This will permit the BCR [Central Reserve Bank] to operate on the exchange market without provoking inflation, which will serve to help the export sector." (EXPRESO 23 May 95)

Confiep Proposal

Arturo Woodman, the president of the Confiep [National Confederation of Private Business], has advanced the idea of converting the CTS [Time-in-Service Compensation] of the workers in the private sector into unemployment insurance. "After the necessary studies have been completed, the CTS could be replaced by unemployment insurance at lower cost to the enterprises, and in this way, a lower rate could be charged," he commented. Woodman reiterated that the extra labor costs the country's enterprises are being forced to pay are high—as high as about 60 percent—and so an effort at reduction is necessary. The minister of economy estimated that these excessive costs come to about 40 per-

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cent of all the costs enterprises pay. The president of the Confiep said that this reduction would have two positive advantages. First, it would make our entire business sector more competitive with those in other countries—and second, it would incorporate more workers in the informal sector. Another excessive cost that must be examined, Woodman said, is the charge for healthnafp contributions. The deduction for workers is three percent, and that for enterprises is six percent. However, he did not specify what amount would be suitable. Similarly, he said that the workers' contributions for IPSS [Peruvian Institute of Social Security] pensions should be brought closer to the contributions made by the AFP [Pension Fund Managing Companies] in order to make the former more competitive. In this connection, Woodman said he advocates elimination of the contribution of one percent for solidarity paid by the affiliates of the AFP to the ONP [National Planning Office], and the IGV [general sales tax] paid on insurance and the private system commissions. Another point involves the contributions to the Fonavi [National Housing Fund], which are regarded as promoting solidarity with the neediest sectors. "The time has come to change the Fonavi by reducing it gradually," Woodman said. (GESTION 23 May 95)

Economic Notes 24-30 May

95SM0358C (Internet) Peru DESCO Gopher in Spanish 1 Jun 95

[From Resumen Semanal]

[FBIS Translated Text] The Multilateral Investment Fund [Fomin] of the IDB [Inter-American Development Bank], during its most recent committee session, approved two projects, one for the training of workers displaced by the privatization process and one for support of capital market development in Peru. What is involved is nonreimbursable technical cooperation, that is to say donations from the Fomin to the Peruvian government through the agencies selected to serve as operational units. These projects have been designated "Labor Conversion of Workers Displaced by the Privatization Process" and "Program for the Support of Capital Market Development." The resources ($6 million) to be allocated to the School of Business Administration [ESAN] will be used to sponsor programs to retrain workers who have been forced out of their positions by the effects of the economic reforms that led to the closing of a number of enterprises during the process of industrial reorganization and conversion, as well as by the transfer of public enterprises. In another COPRI [Commission for Promotion of Private Investment] undertaking, the Fomin has been asked to finance the strengthening of institutions such as the National Supervisory Commission for Enterprises and Securities [Conasev] and bodies like the Lima Stock Exchange [BVL] through a donation $1,730,000.00. (GESTION 27 May 95).

Shell and Mobil have joined together to negotiate a contract for the exploitation of the Camisea gas with Perupetro. Shell has a 57.5 percent interest, while Mobil has 42.5 percent. Another purpose of the association of these two major oil companies is the exploitation of Lot 75. This information was provided by Engineer Eduardo Bruce Caceres, president of the Perupetro board of directors. Referring to the deadline, 31 May, by which Shell must submit its technical-commercial evaluation study, Caceres said that "We now have some idea of what we are going to present." Bruce went on to say that the alliance between Shell and Mobil is a kind of arrangement regarded as normal among large enterprises that have decided to join together for all kinds of purposes—"for investments, for expenditures, and for the distribution of products." On the other hand, Alberto Bruce, the president of the Perupetro board, revealed that 17 oil companies are interested in prospecting and exploiting the deposit known as Lot 52 located south of Camisea in the province of Concepcion. He said that the call for bids issued by Perupetro for oil prospecting in Lot 52 produced the expected results, so that major contracts involving an investment of more than $270 million will be signed in this sector this year. (EXPRESO, LA REPUBLICA 28 May 95)

The government has decided to bring the payments owed to eight international bodies of various sorts to which the country belongs current, and it has ordered that quotas and contributions totaling $1,701,590.00 be paid up. Supreme Resolution 041-95-EF sets forth the priorities in the payment schedule established by the Ministry of Foreign Relations. It is believed that this will improve the image of Peru abroad, as well as its capacity to negotiate on the diplomatic level, and also that the right to vote in these organizations will be won back in some cases. The largest creditor among the international bodies to which Peru is indebted is the United Nations Development Program [UNDP], to which the country owes $1 million, the equivalent of 2.35 million soles. (EL COMERCIO 29 May 95)

Poll: Disapproval of Judiciary, Fujimori Popular

95SM0354A (Internet) Peru DESCO Gopher in Spanish 25 May 95

[From Resumen Semanal 17-23 May]

[FBIS Translated Text] According to EXPRESO (20 May 95), "The administration of justice continues to be one of the aspects being challenged by the citizens of the country, according to the results of the recent poll taken

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in Metropolitan Lima by the APOYO, S.A. Agency. In this connection, 42 percent of those questioned expressed disapproval of the work of the judicial branch, while 40 percent expressed approval. On levels A and B (representing the upper and middle classes), the disapproval rates were 59 percent and 58 percent, while for levels C and D, the percentages dropped to 43 percent and 32 percent, respectively. On the other hand, President Fujimori's popularity level continues to be very high, at 82 percent in April."

Venezuela

Caldera Approves Armed Forces Promotions

PA1606135595 Caracas Venezolana de Television Network in Spanish 1550 GMT 15 Jun 95

[Report by Pedro Prado from the "The News" newscast]

[FBIS Translated Text] President Rafael Caldera has approved the military promotions submitted by Defense Minister Division General Moises Orozco Graterol.

Six officers were promoted to the rank of division general and vice admiral. This time as many officers were promoted in the Army as the Navy.

[Begin Defense Minister Orozco] In the Army were promoted Gen Raul Salazar Rodriguez, 3d Division commander, and Brigade Gen Wilfredo Guerrero Cefa, head of the Military Intelligence Directorate. In the Navy, Rear Admiral Tito Rincon Bravo, Navy chief of staff, and Vice Admiral Gonzalo Yaen, Navy finance director. In the Air Force, Brigade Gen Gustavo Adolfo Leon Campos, commander of the Libertador Air Force base. In the National Guard, Chief of Staff Brigade General Felix Aquiles Loreto Gonzalez. [end recording]

Also, President Caldera appointed Rear Admiral Jose Francisco Bayente Armed Forces comptroller general.

Planning Minister Declines To Forecast Inflation Rate

PA2006001195 Caracas EL NACIONAL in Spanish 18 Jun 95 p E-10

[Report by Alicia Aguilar]

[FBIS Translated Text] Coordination and Planning [Cordiplan] Minister Werner Corrales has declined to forecast this month's inflation rate, but he has assured that agroindustrial products would indicate a lower growth rate than last month, according to the monitoring results of his office.

The poor information policy regarding the alleged benefits of the anti-inflation pact is affecting the initiative's already low credibility among the people. According to the latest poll taken by Data Analysis, 84.2 percent openly say they have little or no trust in the commitments that labor, management, and the government have made.

Werner Corrales has admitted this shortcoming is a self critique and has accepted that "those involved in the pact could have made some mistakes in divulging the meaning of what we are discussing."

The fact that Corrales himself has admitted this is significant in that 56 percent of those polled believe the government carries the main burden in the success of the anti-inflation pact despite the miles of articles and columns published in the press and the thousand of minutes of air time on audio visual media.

The Cordiplan chief has reaffirmed his call for the people to trust that "they will begin seeing the positive effects at all levels of society as soon as the agreements are signed."

Still in the same sincere attitude, the creator of the pact has accepted that "the people have all the right to expect facts instead of promises."

He has said there has been great progress made in the agreements with each economic sector or group. These agreements will go into effect next month, once the 30-day period is over, as provided by the Letter of Intent, and the Anti-Inflation Pact is signed.

Corrales has avoided making any inflation forecasts, saying inflation is an issue belonging to the Central Bank of Venezuela. Despite the fact that wholesale prices indicate inflation levels in June are similar to those of April and May, he has assured that the monitoring results of his office indicate that agroindustrial products will experience inflation rates much lower than last month's.

Minister: Venezuela Complying With OPEC Production Quota

PA2006004895 Caracas REPORTE DIARIO DE LA ECONOMIA in Spanish 19 Jun 95 p 2

[FBIS Translated Text] Energy and Mines Minister Erwin Arrieta has said Venezuela is complying with its production quota assigned by OPEC; that is, 2.359 million barrels per day [BPD]. He added that during the organization's 98th conference, which begins in Vienna today, Venezuela will insist on its position of maintaining the current ceiling of 24.5 million BPD.

Arrieta, who is in Austria, has said our country is complying with the OPEC accord, in response to charges made in this regard.

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At the end of a meeting with his Nigerian and Kuwaiti counterparts, Arrieta commented on the analysis they made on the change in crude prices worldwide as well as on the position maintained by the members of the oil cartel during the past months regarding the ceiling production. "It is better to keep the current ceiling production, because prices have been increasing. Prices are more than $2.00 over last year's," he has said.

Arrieta could be appointed president of the 98th OPEC Conference, as he is supported by the 12 OPEC members.

Finance Minister Views Exchange System Regulations

PA1606154095 Caracas Venezolana de Television Network in Spanish 1550 GMT 15 Jun 95

[From "The News" newscast]

[FBIS Translated Text] The Exchange System Law has been approved in a Council of Ministers meeting. The 170-bolivares exchange rate was not modified, because for the time being there are no plans to devalue the currency.

Just as Finance Minister Luis Raul Matos Azocar had announced, the legal instrument makes flexible the mechanisms to assign dollars. Exporters can use the dollars thus obtained to amortize the private foreign debt. The president of the Republic is empowered to create an export control system later.

[Begin Matos Azocar recording] As the cabinet meeting gradually defines priority areas, they will be discussed in a Council of Ministers meeting. The export control system can be applied in those areas at a later date. [end recording]

He also reported that the procedure to register the movement of capital into and out of the country has been simplified. A resolution setting the amount of dollars that local and foreign tourists can have will be issued in 30 days.

[Begin Matos Azocar recording] Before this resolution, a copy of which will be posted wherever there are travelers, no authority can make any registration of dollars or detain any traveler. Quite the contrary, only those who enter the country with more than $10,000 and those who go out with more than $5,000 must file a statement. [end recording]

Wants Financial Emergency Law Modified

PA1606175595 Caracas Venezolana de Television Network in Spanish 0200 GMT 16 Jun 95

[Report by Fernando Porte from "The News" newscast]

[FBIS Translated Text] Finance Minister Luis Matos Azocar, when appearing before the national parliament's social affairs commission, said that the financial emergency law should be modified and reviewed, as otherwise legal actions initiated by the Prosecutor General's Office could be challenged.

The problem lies in that, according to modifications and interpretations of the financial emergency law, the decrees that were the basis for actions initiated by the Prosecutor General's Office would be abolished, such as the seizure or confiscation of property.

The finance minister insists that Deposit Guarantee and Banking Protection Fund assets must be liquidated below market prices. But in order to prevent this unavoidable action from being interpreted as an attack against the public coffers, certain special articles within the financial emergency law need to be approved that will permit whoever heads this liquidating organization not to be targeted legally.

[Begin Matos recording, in progress] ..that this be a weak law that allow bankers who escaped, those who have committed such gigantic frauds as some of them did to the country, can now find themselves with the legal framework that will allow them to try to recover some of their properties. [end recording]

Prosecutor General Ivan Dario Badell, with his usual wisdom and extroverted ways when appearing before television cameras, believes that everything is the product of pettifogging interpretations. If legal actions are to be initiated against me, let them do so, but the others are the ones who should be in jail, the prosecutor general said.

[Begin Badell recording] If an emergency law is going to be issued to restore guarantees, it is because the situation is not as serious as to merit keeping the guarantees suspended. If in order for this to be again considered by Congress an emergency law needs to be decreed, which is more serious than suspending a guarantee, I simply do not understand. [end recording]

This is the third or fourth time the finance minister has appeared before a commission here in the national parliament. He said that this allows him to defend himself from attacks on his work and that he does not mind in the least being again invited to continue to explain his financial and economic policy goals.

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Roundup of Venezuelan Economic Developments
PA1906184495

[FBIS Editorial Report] The following is a compilation of reports on economic developments in Venezuela monitored through 19 June.

At a Chamber of Deputies Finance Commission meeting, Maritza Izaguirre, Venezuela's representative to the IDB (Inter-American Development Bank), reported that the government has not implemented a number of programs as agreed with the World Bank and the IDB. Izaguirre said, in turn, this has had a "negative impact on relations with the multilateral institutions." She reported that World Bank and IDB loans to Venezuela now total $3.194 billion, of which $2.149 billion are from the IDB. In 1994, the institutions only disbursed $101.1 million, and the Venezuelan Government had to cancel $302.9 million to service that part of the loans which remained "on hold." This left a negative net flow of $198.8 million. Izaguirre said, "It should be recalled that loans obtained from international financial institutions are tied to specific programs and projects that have been previously defined and have a schedule for implementation." (Caracas EL NACIONAL in Spanish 13 Jun 95 p D-4)

Five Venezuelan commercial banks hold 60 percent of all deposits in the country. The Industrial Bank of Venezuela's deposits amount to 53.045 billion bolivares — 21.58 percent of all deposits. Banco Provincial deposits total 43.925 billion bolivares — 17.87 percent of all deposits; Banco Mercantil's deposits total 19.408 billion bolivares — 7.90 percent; Banco Union deposits total 17.079 billion bolivares — 6.95 percent; and Banco Consolidado's deposits total 12.827 billion bolivares — 5.22 percent. (Caracas REPORTE DIARIO DE LA ECONOMIA in Spanish 13 Jun 95 p 6)

The Palmalac Co. of Italy, backed by Chase Manhattan Bank, has purchased 41.39 percent of the shares of the privatized Industria Lacteas de Venezuela for 2.490 billion bolivares. The new owners announced they will promote the use of pasteurized and long-life milk in Venezuela and that all powdered milk produced will be exported. (Caracas Venezolana de Television Network in Spanish 0200 GMT 16 Jun 95)

Carlos del Solar, executive president of the Occidental de Hidrocarburos Co., which opened operations in Venezuela on 15 February 1994, has reported the firm has "managed to increase the production of light crude oil from 4,800 to 24,000 barrels a day in the Western Zulia development unit in just 15 months of activity." (Caracas EL NACIONAL in Spanish 16 Jun 95 p E-6)

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